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ABSTRACT

This is the final report of a study of approximately 12,000 recipients of Federal Supplemental Benefits (FSB) and Special Unemployment Assistance (SUA) during 1975. (The study, involving interviews with recipients in 15 States and analysis of administrative records from each State's Unemployment Insurance Service, was conducted in response to the Congressional mandate of P.L. 94-45 to examine the employment, economic, and demographic characteristics of FSB and SUA recipients; the needs of the long-term unemployed for training and employment services; the incidence of FSB and SUA recipients' eligibility for and receipt of transfer benefits; and the value of their unemployment compensation plus transfer benefits compared with income from their most recent job.) Following an executive summary and background information on the study (chapter 1), chapter 2 reports the employment, economic, and demographic characteristics of FSB and SUA recipients. Chapter 3 assesses their needs for training and employment services, and chapter 4 examines their eligibility for the receipt of transfer benefits. An analysis of wage-replacement ratios and labor market disincentives is presented in chapter 5, and chapter 6 uses the survey data to simulate the effect of alternative unemployment compensation policies on individuals drawing FSB or SUA benefits. Results of policy simulations are presented in eight tables. (SH)

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FINAL REPORT

A STUDY OF RECIPIENTS OF FEDERAL SUPPLEMENTAL BENEFITS AND SPECIAL UNEMPLOYMENT ASSISTANCE

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

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PREFACE

This report presents the results of an national study of persons who collected benefits under the Federal Supplemental Benefits and Special Unemployment Assistance programs in 1975. The study was conducted by Mathematica Policy Research, Inc. for the U.S. Department of Labor. It was based primarily upon a survey, conducted in February and March, 1976, of 12,000 recipients of benefits under these programs and regular extended unemployment compensation. This document is a slightly revised version of the draft final report submitted to the Department of Labor on October 30, 1976.

This report was prepared under a contract with the Employment and Training Administration, U.S. Department of Labor, under the authority of contract DOL 20-34-76-12. Researchers are encouraged to express their own judgment freely. Interpretations or viewpoints stated in this document do not necessarily represent the official position or policy of the Department of Labor.

EXECUTIVE SUMMARY

A Study of Recipients of Federal Supplemental Benefits and Special Unemployment Assistance

In December 1974 in response to continued high unemployment, two laws were enacted: (1) the Emergency Unemployment Compensation Act of 1974, which established the Federal Supplemental Benefits (FSB) program to provide further benefits to unemployed workers who had exhausted their entitlements under the regular Unemployment Insurance (UI) and Extended Benefits (EB) programs; and (2) the Emergency Jobs and Unemployment Assistance Act of 1974, which established a new program of Special Unemployment Assistance (SUA) to make benefits available to unemployed workers whose previous employment had not been covered under regular UI.

With subsequent revisions, the FSB program provided up to 26 weeks of benefits. Combined with regular programs, this entitled FSB recipients to a total maximum of 65 weeks of Unemployment Compensation.^{1/} SUA provided (with subsequent revisions) up to a maximum of 39 weeks of benefits.

In (calendar) 1975, 2.8 million FSB recipients collected a total of over \$2.2 billion in benefits. The 1.1 million people who received SUA payments at some time during 1975 received a total of \$680 million in benefits.

Both measures were temporary: to be in effect during the period of unusually high unemployment while more permanent changes to regular Unemployment Insurance were under consideration.^{2/} In light of the slow economic recovery Congress continued both FSB and SUA through March 1977. This continuation (in June, 1975) was accompanied by a mandate to the Secretary of Labor to submit to Congress by January 1977 a comprehensive report on FSB and SUA recipients.

^{1/} Unemployment Compensation (UC) is used throughout this report as a generic term for all types of unemployment insurance and compensation.

^{2/} In October 1976, the Unemployment Compensation Amendments of 1976 (PL 94-566) were enacted, which made permanent changes in regular UI coverage effective January 1, 1978, and extended SUA (with revisions) through 1977. The main work of this study was completed before October 1976. Implications of the findings for the new law, however, are cited where appropriate.

THE STUDY

The Congressional mandate specified three main issues for study:

- (1) the employment, economic, and demographic characteristics of individuals receiving benefits under either such program;
- (2) the needs of the long-term unemployed for job counseling, testing, referral and placement services, skill and apprenticeship training, career-related educational programs, and public service employment opportunities, and
- (3) an examination of all other benefits to which individuals receiving benefits under either such program are eligible together with an investigation of important factors affecting unemployment, a comparison of the aggregate value of such other benefits plus benefits received under either such program with the amount of compensation received by such individuals in their most recent position of employment.

To provide the information requested by Congress, personal interviews were administered in February-March 1976 to a random sample of approximately 800 recipients in each of fifteen states. The states selected for the study--California, Florida, Georgia, Indiana, Louisiana, Massachusetts, Michigan, Missouri, New Jersey, New York, Pennsylvania, Tennessee, Texas, Utah, and Washington--included, in 1975, 73 percent of the nation's FSB recipients and 66 percent of SUA beneficiaries. They were chosen to yield a sample that would be representative of recipients in the country as a whole.

In total, 11,861 recipients of UC in 1975 were interviewed--approximately 6,835 individuals who received FSB, 3,936 recipients of SUA, and (to provide a comparison group for the FSB recipients), 1,090 who received Extended Benefits but not FSB during 1975.

DID 1975 RECIPIENTS OF FSB AND SUA LOSE THEIR JOBS BECAUSE OF THE 1974-75 RECESSION?

Although FSB and SUA provided benefits to different populations, the were both designed to correct perceived inadequacies of permanent UI legislation in dealing with continued high aggregate unemployment. How effective were they?

Of the FSB recipients, most began their UI benefit year after unemployment rates began to rise in late 1974. About half of the total gave as the reason they lost their jobs a "general decline in business." It is, thus, reasonable to assume that the most important single cause of FSB recipient job loss was the recessionary decline.

Other reasons, however, were also given (seasonal layoffs, moves, and so on); about 20 percent lost their jobs well prior to the onset of the recession and may have exhausted their regular UC entitlements before the start of the FSB program.

FSB recipients had, in general, a long record of employment--having worked an average of 17 years, including five years (not necessarily continuously) at the job they held prior to receiving UI benefits (the "pre-UI" job). In the three years immediately before filing, they had worked an average of 26 months (slightly less than EB recipients), typically in fulltime jobs.

Nearly three-quarters of FSB recipients had been without a job for 27 weeks or more when they received their first FSB payment in 1975. The demographic profile of the FSB recipients may in part explain their long unemployment durations, since they were older and more likely to be female--both groups that experience special problems in finding jobs--than recipients of EB.

By the time of the March 1976 interview the typical recipients of FSB in 1975 had been continuously out of work for 63 weeks. Over two-thirds of them either were still unemployed (48 percent) or had withdrawn from the labor force (21 percent). Most of those who had become reemployed were working fewer hours and had lower earnings than in their pre-UI jobs. FSB recipients who were younger or male were the most likely to regain employment.

Of the SUA recipients, 60 percent reported that they lost their jobs because of seasonal layoffs. Fifty-five percent of all SUA recipients were school employees--primarily food and other service workers, clerical workers, and teachers. They received 41 percent of all SUA benefits in 1975. Most of them viewed their job loss as seasonal, and over three-quarters of them returned to their pre-UI jobs.

For the 45 percent of SUA recipients who were not school employees--typically workers in services, local government administration, or agriculture--the reasons given were not so uniform. Less than one-quarter returned to their pre-UI jobs, even though over 38 percent reported seasonal layoff as the reason for job loss. It is a reasonable speculation, therefore, that the recession may have substantially reduced their reemployment prospects.

In terms of employment history, the SUA school workers (predominantly women) were similar to the FSB recipients, except that their pre-UI jobs involved shorter hours. The SUA recipients who were not school workers were younger and had shorter work histories than their FSB counterparts, and had below average wage rates.

WHAT WERE THE NEEDS OF THOSE ON FSB AND SUA FOR TRAINING AND EMPLOYMENT SERVICES?

It should be noted that the needs assessment reported in this study is based on tabulations of survey questions of individuals regarding their own perceptions of their skills, suitable occupations and of the

availability of jobs. It is intrinsically less concrete than detailed examinations of individual cases, such as those carried out by the Employment Service. These are some of our conclusions:

- (1) About 40 percent of both FSB and SUA recipients were in occupations they felt to be suitable, for which they believed themselves to be qualified and for which they thought there would be demand. A similar proportion of EB recipients were in such occupations.
- (2) FSB recipients were concentrated in occupations with higher than average unemployment, making it likely that relatively few could have benefited from immediate job referral and placement.
- (3) More than two-fifths of all recipients did not have an occupation they were satisfied with, or felt that there would not be enough jobs in their line of work. This classified them as candidates for testing and counseling.
- (4) Almost 40 percent, including many of those classified as needing testing and counseling, indicated that they were not fully qualified for their preferred occupation. This classified them as needing education or training. The need for education and training was no higher among FSB recipients than for the Extended Benefit comparison group.
- (5) Public employment is a specific policy prescription, not an objectively defined need. Given the high unemployment rates in the occupations of those in our sample, we estimate that more than two-fifths of all FSB and non-school SUA recipients might have benefited from public employment jobs.

WHAT WAS THE EXTENT OF ELIGIBILITY FOR AND RECEIPT OF BENEFITS FROM TRANSFER PROGRAMS?

Up to 36 percent of both FSB and SUA households collected one or more types of transfer payments at the same time as FSB and SUA benefits. The main sources were Social Security, other pensions, Food Stamps, and Unemployment Compensation of other family members.

New legislation (PL 94-566) now specifies that, effective October 1979, UC benefits are to be reduced by the amount of pension receipts. If this provision had been in effect during 1975, 12 percent of FSB recipients and 8 percent of SUA recipients would have had their UC payments reduced or eliminated. (These were the individuals who stated that they--as opposed to some other household member--received either Social Security or a pension at any time while receiving UC). Interestingly, relatively few of these people considered themselves to be retired.

The proportion of households receiving benefits from transfer programs for which eligibility depends upon low income was only 11 percent--this low level being primarily due to the fact that few low-income families were in fact eligible for such programs during receipt of FSB or SUA.^{1/} The only exception to low eligibility was the Food Stamp program, for which over 30 percent of the sample were estimated to be eligible. Only one-third of those eligible, however, reported getting Food Stamps at the time of FSB or SUA receipt.

HOW DID UC BENEFITS HELP RECIPIENTS COPE WITH THE LOSS OF INCOME FROM THE PRE-UI JOB? HOW WOULD THEY HAVE FARED IN THE ABSENCE OF UC?

For FSB recipients, UC benefits replaced, on average, 46 percent of gross wages and 65 percent of net (after tax) wages. Gross wage-replacement ratios were concentrated in the 40 to 60 percent range. Net wage-replacement ratios were substantially more variable--20 percent had net ratios over 80 percent; 15 percent had net ratios under 40 percent.

Gross wage-replacement ratios for both SUA school workers and non-school workers were concentrated around 50 percent. Net ratios, as for FSB, were higher and more variable. For school workers very few individuals had net ratios below 40 percent.

FSB benefits had a substantial effect on household incomes. Without them, 33 percent would have had 1975 household incomes below the poverty line; with them, the percentage was 23 percent. Thus, over a quarter of a million households with FSB recipients were prevented by the FSB program from falling below the poverty line.

SUA benefits also had a substantial anti-poverty effect, although less than FSB. For SUA school workers, however, the high incidence of married women with spouses who were earners meant that few recipients lived in households that would have had below poverty line incomes even in the absence of SUA benefits.

^{1/} Most transfer programs restricted to low-income groups are also restricted to particular family types, such as single-parent families with children (AFDC).

WHAT WERE THE WORK DISINCENTIVE EFFECTS?

For some groups, the average percentages of net pre-UI wages that were replaced by UC benefits were so high as to suggest substantial labor force disincentives. For example, net wage replacement rates for married women averaged 78 percent. Attempts to measure the effect of the net wage replacement rate on various measures of labor force behavior, however, showed only a few disincentive effects. These effects occurred for older individuals, women, and SUA school workers, and their magnitude though statistically significant was small. Concern about the combined effects of UC and income maintenance programs on wage replacement led us to construct comprehensive measures of the total wage replacement effect of transfer programs for FSB recipients. Because so few recipients were eligible for these other programs, this raised average replacement ratios by only a few percentage points. For those actually receiving such transfers, however, the average ratios exceeded 100 percent.

EFFECTS ON FSB AND SUA RECIPIENTS OF ALTERING UC LAWS.

1. What Implications Does the Study Have for Changes in UC Coverage Under PL 94-566?

Recent legislation (PL 94-566) has expanded the coverage of the regular UI system beginning in 1978, and has extended a restricted version of SUA through 1977. Employees of state and local governments and of non-profit elementary and secondary schools, as well as some agricultural and domestic workers will be covered by the regular UI system.

The continuation of SUA was accompanied by special restrictions on school employees with a "reasonable assurance" of return to work. Such individuals (both teachers and non-teachers) are thus now ineligible for SUA benefits during the period between school terms. This provision, if in effect during 1975, would have reduced the number of SUA recipients by 44 percent, and program costs by 25 percent.

When the expanded UI coverage takes effect, the "reasonable assurance" provision will apply to teachers; states will have the option of applying it to non-teaching school employees as well.^{1/} This special attention paid to school employees reflects the ambivalence with which workers having regular seasonal patterns of unemployment have been viewed since the very inception of the UI system.

^{1/} Other restrictions in the expanded UI coverage will apply to pension recipients (discussed above), professional athletes, and illegal aliens.

Among the 1975 SUA recipients, about 10 percent were school employees not called back to their jobs, about 13 percent were in other state and local government jobs, and up to 11 percent were agricultural or domestic workers (only some of whom are included in the expanded coverage). As a rough approximation, therefore, we can say that less than one-third of all 1975 SUA recipients would have been eligible for UI if the expanded coverage had been in force in 1975. (This assumes that most states choose to treat non-teaching school employees the same as teachers. If most states decide not to apply the "reasonable assurance" provision to non-teaching school employees, this fraction could rise above 60 percent.)

Certain individuals qualified for SUA in 1975 because its base period differed from the one used by many states. Our findings suggest that this reason for eligibility was relatively unimportant, accounting for at most 13 percent of the total SUA caseload. Such individuals are excluded from SUA coverage by the current legislation.

2. Who Would Benefit from Further Extensions in the Duration of FSB Benefits?

More than one-third of the FSB recipients had exhausted their entitlements prior to the interview in March 1976. On average they had received 56 weeks of UC benefits. We estimated the proportion who would ultimately exhaust their benefits at about 40 percent. These exhaustees are the potential beneficiaries of further benefit extensions. They were older, more likely to be female, and had slightly lower family incomes than non-exhaustees. They also had lower pre-UI wages and concomitantly lower UC benefit levels.

3. How Would Alternative Eligibility Policies Affect the Pool of FSB Recipients?

Stricter regulations regarding previous labor force attachment (such as, for example, requiring more base period employment) would disproportionately exclude younger recipients, females, and those with higher family incomes. Most of the differences would not be great. Use of a three-year base period in determining eligibility, however, would be significantly more restrictive than is the current one-year base period.

4. How Would Alternative Benefit Formulas Affect FSB and SUA Benefit Levels?

Raising benefit maxima to two-thirds of the state's average weekly wage in covered employment (while maintaining current duration of benefits) would raise benefit levels for nearly one-fourth of FSB recipients and one-sixth of SUA recipients. Those gains would go primarily to married males.

Subjecting FSB and SUA benefits to the Federal Income Tax would reduce net benefits for most recipients. Its effect would be especially pronounced among those with high net wage replacement ratios. A combination of higher maxima and taxation of benefits would reduce net benefits for three times as many recipients as would have them increased. Such a policy combination would be less costly than the present programs and would somewhat reduce the present wide range of net wage replacement ratios. Making receipt of FSB benefits dependent on having low family income would have a major downward impact on benefit levels--especially for married women with employed husbands.

ACKNOWLEDGEMENTS

Any project as large and complex as the FSB/SUA Study requires the concerted efforts of a great many people. When, in addition, the schedule requirements are as stringent as they have been on this project, the performance demanded is sometimes extraordinary. This has been abundantly true on the FSB project. Well over 500 people have participated in the study since its inception in September 1975. Without the hard work of all of them, this report would not have been possible. Although there are a great many people who worked very hard, there are a few who deserve individual recognition for the critical roles they played at various stages of the project.

Five principal analysts--Walter Corson, David Horner, Valerie Leach, Charles Metcalf, and Walter Nicholson--shared responsibility for the analytic design of the study, as well as authorship of the main report. Although all chapters of the report were the product of joint deliberations, each principal analyst concentrated on specific portions of the study. Walter Corson directed the efforts leading to Chapter IV and portions of Chapter V, and played a major role in the state selection process; David Horner developed the methodology for and carried out the research for Chapter III. Valerie Leach deserves special recognition for her long hours as full-time coordinator of research activities; she also had chief responsibility for Chapter II. Charles Metcalf concentrated on the issues of sampling and national estimates, and coordinated the writing of Chapter I; as MPR's Director of Research, he directed the overall research effort. Walter Nicholson played a leading role in developing the analysis plan for the study, and conducted the research leading to Chapter VI and portions of Chapter V.

After the principal analysts of the report, more than any other person, the FSB/SUA project is the result of the efforts of Anne Freeman, who served as Project Manager for the study. She made certain the entire project kept to the schedule and that nothing was forgotten. She also took major responsibility for obtaining all necessary data from the state UI offices.

Design of the survey instrument was carried out by Cheryl Woodward, under the direction of Cheri Marshall, MPR Director of Survey Research. Within a very tight schedule, Cheryl produced a major interview incorporating the analytic needs and interests of a large and varied group of people which included not only MPR researchers, but also the Working Group of the Department of Labor. The analyses of non-response bias and response error in the survey data were the responsibilities of Cheri Marshall and Richard Strouse, respectively. The Survey Research Department was also responsible for designing the training program for interviewers and defining quality control editing procedures for review of completed interviews.

Administration of the field survey was the responsibility of the Survey Operations Department, under the direction of Mary Kilkenny. This massive effort included not only hiring, training, and supervising the large

staff required, but also preparation of sample materials, quality control editing of completed interviews, and administration of the verification interview and the telephone survey of interstate claimants and movers. Mary was assisted throughout the field period by Judy Karten, Assistant Director of Survey Operations. Survey Managers for the project were Martha Berlin and Audrey McDonald.

Coding and data entry of all survey data and portions of the state data were carried out by the Data Processing department, directed by Robert DeVoe. Patricia Uveges coordinated the coding, data entry, and data cleaning activities. The D.P. department was also responsible for all computer processing of data, both for sample selection and for analysis purposes. Everyone in the department spent many long hours at various points in time in order that this research could be completed on schedule.

The Information Systems department, under the direction of Wayne Wasylyk, was responsible for the design and construction of all the systems to process, store, and extract the huge amounts of data collected during the project. Special mention must be made of the efforts of Jane Nozell, who coordinated the work of both the Information Systems and Data Processing staffs. Howard Edels was responsible for directing the systems design and programming efforts. Ercole DiBattista, Tracy McMillan, Jim Tidmarsh, and Bernie Wiegand did the major programming for the study.

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Editing of the report was coordinated by Vivienne Killingsworth, with the assistance of Felicity Skidmore, who also collaborated in the writing of Chapter I. The typing and production of the final report was supervised by Claudette Dunn.

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J. Alan Brewster
Project Director

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CHAPTER I

INTRODUCTION

In December 1974 in response to continued high unemployment, two laws were enacted: (1) the Emergency Unemployment Compensation Act of 1974, which established the Federal Supplemental Benefits (FSB) program to provide further benefits to unemployed workers who had exhausted their entitlements under the regular Unemployment Insurance (UI) and Extended Benefits (EB) programs; and (2) the Emergency Jobs and Unemployment Assistance Act of 1974 which established a new program of Special Unemployment Assistance (SUA) to make benefits available to unemployed workers whose previous employment had not been covered under regular UI.

With subsequent revisions, the FSB program provided up to 26 weeks of benefits. Combined with regular programs, this entitled FSB recipients to a total maximum of 65 weeks of Unemployment Compensation.^{1/} SUA provided (with subsequent revisions) up to a maximum of 39 weeks of benefits.

In (calendar) 1975, 2.8 million FSB recipients collected a total of over \$2.2 billion in benefits. The 1.1 million people who received SUA payments at some time during 1975 received a total of \$680 million in benefits.

Both measures were temporary: to be in effect during the period of unusually high unemployment, while more permanent changes to regular Unemployment Insurance were under consideration. In light of the slow economic recovery Congress continued both FSB and SUA through March 1977. This continuation (in June 1975) was accompanied by a mandate to the Secretary of Labor

^{1/}Unemployment Compensation (UC) is used throughout this report as a generic term for all types of unemployment insurance and compensation.

to submit to Congress, by January 1977, a comprehensive report on FSB and SUA recipients.

The Congressional mandate specified three main issues for study:

- (1) the employment, economic, and demographic characteristics of individuals receiving benefits under either such program;
- (2) the needs of the long-term unemployed for job counseling, testing, referral and placement services, skill and apprenticeship training, career-related educational programs, and public service employment opportunities, and
- (3) an examination of all other benefits to which individuals receiving benefits under either such program are eligible together with an investigation of important factors affecting unemployment, a comparison of the aggregate value of such other benefits plus benefits received under either such program with the amount of compensation received by such individuals in their most recent position of employment.^{1/}

In response to the Congressional mandate, the Department of Labor selected Mathematica Policy Research, Inc. (MPR) to conduct a nationwide survey of a sample of FSB and SUA recipients, and to analyze the data thus collected in a report to the Secretary of Labor. The resulting study is presented in the following pages.

The three issues identified by Congress provide the focal points of the organization of this report. In order to place FSB and SUA in perspective, we first summarize the historical development of the duration of benefits and the coverage provided by the UI system. In the remainder of this introduction, we review the basic provisions of the FSB and SUA programs, outline the design of the study and provide a guide to the statistical precision of the reported data; and highlight our key results.

^{1/}Sec. 104, Public Law 94-45.

Chapter II reports the employment, economic, and demographic characteristics of FSB and SUA recipients; Chapter III assesses their needs for training and employment services; and Chapter IV examines their eligibility for the receipt of transfer benefits. Chapter V provides an analysis of wage-replacement ratios and labor market disincentives, while Chapter VI uses the survey data to simulate the effect of alternative Unemployment Compensation policies on individuals drawing FSB or SUA benefits.

The main report is supplemented by nine appendices documenting the study. These appendices contain (1) a review of the sample design; the national projection methodology, and the precision of estimates; (2) a documentaiton of data collection procedures and the survey interview; (3) and (4) analyses of non-response bias and response error, respectively; (5) a discussion of a telephone survey of individuals moving out of the sampled areas of FSB or SUA receipt or filing interstate claims; supplemental tables and documentation for Chapters II, III, and IV (Appendices 6, 7, and 8); and (9) a brief discussion of savings behavior by FSB and SUA recipients.

A. DEVELOPMENT OF THE UI SYSTEM: DURATION AND COVERAGE

The Federal-State Unemployment Insurance System, initiated by the Social Security Act of 1935 and Unemployment Compensation laws enacted by individual states, was intended to provide partial wage replacement for regular workers during temporary periods of involuntary unemployemnt. The 1935 legislation established general federal guidelines regarding the structure of state programs, but within these guidelines broad independence was granted to states in setting up and operating their own programs. Issues related to eligibility requirements, usual benefit duration, and weekly benefit amount have remained largely at the discretion of individual states. The federal role has been limited to altering general guidelines and responding on a temporary basis to major recessions which have been regarded as being more a national responsibility than that of individual states or employers.

Over time, both the duration of benefits and the definition of workers covered by the UI System have been expanded. The following discussion summarizes the legislative history that has led up to the current FSB and SUA programs.

1. Duration of Benefits

In keeping with the idea of temporary replacement of wages, the early state laws provided benefits over relatively short periods of time. In 1938, for example, only six states provided a maximum benefit duration of more than sixteen weeks, and all states except Ohio further limited benefit duration by allowing workers to draw benefits totalling a specified small fraction of their earnings in a preceding base period (a provision called variable duration).

There were two main reasons for these severe early limits. First was the fear that more generous limits would result in high costs to the UI System. Second was the concern that if unemployed workers were protected for too long, there would be economic risks to the community.^{1/}

During World War II and through most of the 1950s, the general level of economic activity was high and UI claims correspondingly low. State UI reserve funds rose and many states began to liberalize their benefit duration provisions. As a result, the average period over which benefits could be received had risen to more than 21 weeks in 1952 from 13-14 weeks in 1941. Although the duration of eligibility had been increased, the average period over which benefits were actually received did not increase. This led to optimism regarding the possibility of setting UI duration provisions generous enough to enable most recipients to find "suitable" employment before exhausting benefits.

^{1/} Eveline M. Burns, The American Social Security System, Boston: Houghton Mifflin Company, 1949, pp. 139-142.

The recessions of 1958 and 1960-1961, however, changed the situation substantially. Benefit exhaustion rates rose, and state reserves began to shrink. During both recessions legislation to extend benefit duration was enacted. In 1961 the most important of such legislation was passed--the Temporary Extended Unemployment Compensation Act (TEUC)--which involved the federal government for the first time directly in the financing of benefits. Henceforth, most programs to provide additional benefits in time of recession would be instituted at the federal level.

In 1970, Congress passed the Employment Security Amendments of 1970 (PL 91-373) initiating a permanent program of federal and state-financed benefits during periods of high unemployment for up to 13 weeks beyond regular state UI provisions.^{1/} An extended benefits (EB) period would automatically go into operation in a given state when the insured unemployment rate (IUR) averaged 4.5 percent nationally (seasonally adjusted) in a 13 week period, or when the IUR in that state equalled 4.0 percent and equalled or exceeded 120 percent of the average of the insured unemployment rates in the corresponding 13 week periods of the two previous years. Dissatisfaction with the impact on the states of the 120 percent rule has caused it to be suspended on numerous occasions, including the period of this study.

Congress enacted still another tier of benefits on a temporary basis in 1971. The Emergency Unemployment Compensation Act of 1971 (PL 92-224) provided a maximum of 13 additional weeks of duration in very high unemployment states. Originally scheduled to expire in September 1972, this Act was eventually continued until March 30, 1973. In December 1974, the Emergency Unemployment Compensation Act of 1974 (PL 94-572)--the first major focus of this study--was passed, providing further benefit extensions under the temporary Federal Supplemental Benefits (FSB) program.

^{1/} The entitlement is 50 percent of the regular benefit entitlement subject to a maximum total duration of 39 weeks for regular and extended benefits.

2. Coverage

Although the people who framed the Social Security Act of 1935 were committed to the concept of universal coverage of all "regular" workers, the legislation specifying the federal coverage requirements contained provisions which resulted in the implicit exclusion from coverage of a substantial fraction of the total work force until more experience could be gained under the program.

The first restrictive provision was the requirement that coverage of the Federal Unemployment Tax Act (FUTA) be extended only to employers with eight or more workers in 20 weeks of a calendar year. This had the effect of excluding a priori all small firms and household workers. A second provision specifically excluded farm workers and workers in farm-related industries--the view being that farm work was highly seasonal and that there was a danger of producing perverse work incentives for short-term workers. Third, concern about constitutional issues led to the exclusion of all state and local government employees from required coverage.

Modification of federal coverage standards began as early as 1938, when UI for railroad employees was instituted as a separate federal program. Temporary expansions of coverage followed in 1944 for returning World War II servicemen, and in 1952 for returning veterans of the Korean War. In 1954, legislation permanently broadened the coverage of the FUTA to include employers with four or more workers in 20 weeks of a calendar year, and established a new federal program providing benefits to federal civilian employees. In 1958, a permanent program was introduced to provide benefits for all men and women returning from military service. No further expansion in coverage took place at the federal level until 1970, although

individual states used their prerogatives in varying degrees to legislate coverage for groups not covered by the FUTA.

Prior to 1976, the last major permanent extensions in coverage requirements were enacted under the Employment Security Amendments of 1970. Coverage was extended to employment in agricultural processing plants and commercial establishments employing one worker for 20 weeks in a year or paying \$1,500 or more in covered wages in a quarter. Covered also were door-to-door and traveling salesmen, agents and commission drivers, and U.S. citizens working for firms outside the U.S. Although not covered under the FUTA, state laws were required, beginning in 1972, to cover employees of nonprofit organizations employing four or more workers in 20 weeks in a year and employees of state hospitals and institutions of higher learning.

Since federal coverage provisions are minimum requirements, many states independently made commitments to cover additional groups of workers. By 1975, 20 states covered substantially all their state government employees (76 percent of all state government employees were covered). Eight states covered local government employees (amounting to 22 percent being covered nationally). Four states covered agricultural labor and four covered domestic workers. In all, 87 percent of all U.S. wage and salary workers were covered by permanent programs in 1975.^{1/}

The Special Unemployment Assistance Program (SUA) was legislated in December 1974 and became effective in all states on December 22, 1974. It was designed as a temporary program to provide benefits to normally uncovered workers, while more permanent changes were being deliberated in Congress.

^{1/} Information on Unemployment Compensation Programs, Subcommittee on Unemployment Compensation of the Committee on Ways and Means, U.S. House of Representatives, September 22, 1975.

B. THE BASIC PROVISIONS OF THE FSB AND SUA PROGRAMS

As described in the previous section, FSB was designed to extend the duration of benefits of permanent Unemployment Compensation programs; SUA extended their coverage.

The duration of benefit eligibility under the Federal-State System varies according to individual state legislation. All states regularly provide benefits for at least 26 weeks; 8 states pay benefits for more than 26 weeks.^{1/} The "uniform duration" states pay benefits to all eligible recipients for 26 week duration (with two exceptions, Pennsylvania pays for 30 weeks and Puerto Rico pays for 20 weeks). Other states vary the duration of payments according to the past work history of the claimant.^{2/} In states where the EB provisions are triggered into effect, there is a 50 percent increase in benefit duration up to a maximum of 39 weeks.

The original legislation establishing FSB in late 1974, provided up to 13 weeks of emergency benefits, for a maximum of 52 weeks of benefits. The maximum was increased to 65 weeks in March 1975 by extending the duration of emergency benefits up to 26 weeks. With legislation in June 1975^{3/} the 26 weeks of emergency benefits for eligible claimants were continued through December 1975 in all states, and the following limitations on FSB took effect on January 4, 1976:

^{1/} Iowa permits a maximum of 39 weeks of benefits. Puerto Rico, not included in this study, has a duration of only 20 weeks.

^{2/} A claimant's work history during a base period is measured for the purpose of establishing eligibility, level, and duration of benefits in many different ways by individual states. Typical measures, used in varying combinations, include annual wages, wages in the highest quarter, weeks of work, and the average weekly wages.

^{3/} The Emergency Compensation and Special Unemployment Assistance Extension Act of 1975 (PL 94-45).

(1) claimants in qualifying states with an insured unemployment rate of less than 6.0 percent would be eligible for up to 13 weeks of FSB;

(2) claimants in qualifying states with an insured rate of 6.0 percent or more would be eligible for up to 26 weeks of FSB.^{1/}

All the FSB recipients surveyed for this study received FSB during 1975.^{2/} Thus, they could receive a total of 65 weeks of Unemployment Compensation if their original UI entitlement was 26 weeks or more. Those with shorter UI entitlements were eligible for proportionately fewer total weeks of payments.

SUA was designed to extend coverage, on a temporary basis, to individuals who would have been eligible for regular UI given state requirements regarding work history, job search, and criteria for disqualification, but who were not covered by any of the permanent programs due to their industry, occupation, or the size of their employer. Another feature of SUA is worth noting: in all states, the period over which prior work history was measured--the base period--was the 52 weeks immediately preceding the date of the SUA claim. Thus, in states which normally use other base periods an individual in a covered industry with only a very recent history might have been eligible for SUA but not regular UI. Data reported below, however, establish that at least 87 percent of all SUA recipients in 1975 were in industries not normally covered by UI and were not SUA recipients solely because of base period differences.

^{1/} The following provisions for EB payments were in effect during 1976: states were permitted to make EB payments whenever their insured rates were 4 percent or greater; payments were required when the national rate was 4 percent or greater.

^{2/} Those who had not yet exhausted their eligibility by December 1975 may also have received payments in 1976.

SUA was modified during 1975 to increase the maximum potential duration from 26 weeks to 39 weeks. Legislation in June 1975 (PL 94-45) continued SUA in effect through the end of 1976. All SUA and FSB recipients interviewed for this study received benefits during 1975.

In October 1976 the President signed the Unemployment Compensation Amendments of 1976 (PL 94-566), which made permanent changes in regular UI coverage effective January 1, 1978 modified the SUA program and extended the deadline for filing SUA claims to the end of 1977. In addition, it revised the trigger provisions in the Extended Benefits program and established a National Commission on Unemployment Insurance. The main work of this study was completed before October 1976. Implications of the findings for the new law, however, are cited where appropriate.

C. DESIGN OF THE STUDY

The sampling and research design for this study was the joint work of MPR and a Department of Labor working group. Since program records did not provide sufficient information to address the three issues identified by Congress, personal interviews were administered to a sample drawn from the almost four million people who received FSB or SUA benefits at some time during 1975.

In addition, the desire to differentiate the characteristics of those remaining unemployed long enough to collect FSB from those who did not led to the inclusion of EB recipients as a comparison group. The EB sampling universe was defined to include all persons receiving an EB first payment on or after October 1, 1974, who did not receive FSB at any time during 1975.

The interviews, conducted in February and March 1976,^{1/} were about 75 minutes in length. They included information in the following categories:

- basic demographic data, including information regarding education and skills;
- detailed data concerning the job held prior to receiving UI or SUA (the "pre-UI" job);^{2/}
- employment history, including periods of receipt of Unemployment Compensation;
- current labor force status, and job search activities of those still unemployed in March 1976;
- characteristics of the current jobs of those employed in March 1976;
- needs for counseling and placement services and training programs;
- use of the Employment Service;
- recent training and education;
- household composition;
- for married respondents, labor force status of the spouse;
- financial assets and debts;
- sources of household income in 1975, including transfer payments;
- housing and mobility.^{3/}

This information was supplemented by data from program records collected from local UI offices.

^{1/} For brevity, the date of the interview is referred to as March 1976 in the following text.

^{2/} The "pre-UI" job was defined to be the longest job held during the year prior to receipt of UI or SUA. When this differed from the last job held, data on both jobs were collected.

^{3/} See Appendix 2 for a further discussion of the survey questionnaire. A shorter telephone survey, discussed in Appendix 5, was administered to people who had moved out of the sampled area of UC receipt by the time of the March 1976 interview, or who had filed interstate claims.

A target of 12,000 completed interviews was set for the study, 800 from each of 15 states--California, Florida, Georgia, Indiana, Louisiana, Massachusetts, Michigan, Missouri, New Jersey, New York, Pennsylvania, Tennessee, Texas, Utah, and Washington. These states were chosen to yield a sample which would be representative of recipients in the country as a whole; they included 73 percent of the nation's FSB recipients and 66 percent of SUA beneficiaries during 1975.

Within each state a sample was drawn from ten randomly selected UI offices. The probability of selection for a given office was proportional to its FSB-SUA caseload in 1975. Within each selected office, a target of approximately 80 interviews was established--on average 42 FSB, 28 SUA and 10 EB recipients. In total, 11,861 interviews were usable for analysis^{1/}--approximately 6,835 individuals who received FSB, 2,936 recipients of SUA, and 1,090 who received EB but not FSB during 1975.^{2/} This constitutes 62.2 percent of the 19,065 UC recipients eligible for the sample for whom interviews were initially attempted.

Interpretation of the Data

In order to produce tabulations which we believe to be representative of national estimates, it was necessary to scale the observations

^{1/}The total number of completed interviews was 12,113. After deletion of persons not properly eligible for our sample, 11,861 observations remained for analysis. See Appendix 2 for a further documentation of field procedures and results.

^{2/}The original EB sample was larger than the reported 1,090 to allow for those EB recipients who would receive FSB payments between the time the sample frame was drawn (typically November 1975) and the end of the year.

by state-and program-specific weights. All results reported in this study are thus based on weighted observations.^{1/} The weighted sample sizes reported in the tables of the following chapters will vary according to (1) the size of the sample subgroup being examined, and (2) the number of observations deleted because of missing survey data. The incidence of the latter omissions was, in most cases, quite small.

Table I.1 provides approximate measures of the precision associated with the attribute proportions reported in the following chapters. The measures differ from conventional standard error calculations based on sample size in that they account for the effects of (1) limiting the sample to 15 states, (2) drawing a clustered sample from ten offices within each state, and (3) the use of weighted observations.

As an example illustrating the use of the table, consider the finding (reported below) that 55 percent of all SUA recipients had been employed in primary and secondary education. The SUA sample was approximately 3,900 and the standard error for an attribute occurring 55 percent of the time is about the same as for a 50 percent incidence. Thus the standard error associated with the 55 percent finding is approximately 1.36 percent. This implies that 68 percent of the time a sample estimate derived in this manner will lie within 1.36 percent of the true population attribute.

^{1/}Appendix 1 describes the method of determining weights and documents the overall sample design and the procedures used to approximate the statistical precision of the results reported in this study.

TABLE I.1

APPROXIMATE STANDARD ERRORS OF ESTIMATED SAMPLE PROPORTIONS

Reported Sample Size	Percentage Having Attribute			
	5,95	10,90	25,75	50
12,000	0.34%	0.47%	0.67%	0.78%
6,800	0.45	0.62	0.89	1.03
3,900	0.59	0.82	1.18	1.36
2,500	0.74	1.02	1.47	1.70
1,500	0.96	1.32	1.90	2.19
1,000	1.17	1.61	2.33	2.69
500	1.66	2.28	3.29	3.80

Source: See Appendix 1, Table 1.13

A 95 percent confidence interval can be obtained by identifying the relevant table entry and multiplying it by 1.96. For the above example we obtain a value of 2.67. Thus, 95 percent of the time, estimation procedures will produce a mean proportion of SUA recipients employed in education within 2.67 percent of its true value. The 95 percent confidence interval for our 55 percent estimate is 52.33 percent - 57.67 percent.

Three appendices are devoted to an investigation of the accuracy of the survey data as a representation of the national FSB, SUA, and EB caseloads. In addition to Appendix 1, which documents the overall sample design, the reader is referred to Appendices 3 and 4 for analyses of non-response bias and response error.^{1/}

D. SUMMARY OF RESULTS

1. Did 1975 Recipients of FSB and SUA Lose Their Jobs because of the 1974-1975 Recession?

Although FSB and SUA provided benefits to different populations, they were both designed to correct perceived inadequacies of permanent legislation in dealing with continued high aggregate unemployment. How effective were they?

Of the FSB recipients, most began their UI benefit year after unemployment rates began to rise in late 1974. About half of the total gave as the reason they lost their jobs a "general decline in business." It is thus reasonable to assume that the most important single cause of FSB recipient

^{1/}Special attention was paid to the problem of non-response bias, in view of the 62 percent completion rate for attempted interviews. Evidence reported in Appendix 3 suggests that our survey data underreport the fraction of males in the FSB and SUA populations by about three percentage points. Otherwise, there were no strong and consistent differences between our reported results and known population characteristics drawn from program data.

job loss was the recessionary decline.

Other reasons, however, were also given (seasonal layoffs, moves, and so on); about 20 percent lost their jobs well prior to the onset of the recession and may have exhausted their regular UC entitlements before the start of the FSB program.

FSB recipients had, in general, a long record of employment, having worked an average of 17 years, including five years (not necessarily continuously) at the job they held prior to receiving UI benefits (the "pre-UI" job). In the three years immediately before filing, they had worked an average of 26 months (slightly less than EB recipients), typically in fulltime jobs.

Nearly three-quarters of FSB recipients had been without a job for 27 weeks or more when they received their first FSB payment in 1975. The demographic profile of the FSB recipients may in part explain their long unemployment durations, since they were older and more likely to be female--both groups that experience special problems in finding jobs and, as suggested below, may have faced stronger labor force disincentives than the recipients of EB. In most other respects, however, there were no major differences in the demographic characteristics of FSB and EB recipients.

By the time of the March 1976 interview, the typical recipients of FSB in 1975 had been continuously out of work for 63 weeks. Over two-thirds of them either were still unemployed (48 percent) or had withdrawn from the labor force (21 percent). Most of those who had become reemployed were working fewer hours and had lower earnings than in their pre-UI jobs. FSB recipients who were younger or male were the most likely to regain employment.

Of the SUA recipients, 60 percent reported that they lost their jobs because of seasonal layoffs. Fifty-five percent of all SUA recipients were school employees--primarily food and other service workers, clerical workers, and teachers. They received 41 percent of all SUA benefits in 1975. Most of them viewed their job loss as seasonal, and over three-quarters of them returned to their pre-UI jobs.

For the 45 percent of SUA recipients who were not school employees--typically workers in services, local government administration, or agriculture--the reasons given were not so uniform. Less than one-quarter returned to their pre-UI jobs, even though over 38 percent reported seasonal layoff as the reason for job loss. It is a reasonable speculation, therefore, that the recession may have substantially reduced their reemployment prospects.

In terms of employment history, the SUA school workers (predominantly women) were similar to the FSB recipients, except that their pre-UI jobs involved shorter hours. The SUA recipients who were not school workers were younger and had shorter work histories than their FSB counterparts, and had below average wage rates.

2. What Were the Needs of Those on FSB and SUA for Training and Employment Services?

It should be noted that the needs assessment reported in this study is based on tabulations of survey questions of individuals regarding their own perceptions of their skills, suitable occupations and of the availability of jobs. It is intrinsically less concrete than detailed examinations of individual cases, such as those carried out by the Employment Service. These are some of our conclusions:

- (1) About 40 percent of both FSB and SUA recipients were in occupations they felt to be suitable, for which they believed themselves to be qualified and for which they thought there would be demand. A similar proportion of EB recipients were in such occupations.
- (2) FSB recipients were concentrated in occupations with higher than average unemployment, making it likely that relatively few could have benefited from immediate job referral and placement.
- (3) More than two-fifths of all recipients did not have an occupation they were satisfied with, or felt that there would not be enough jobs in their line of work. This classified them as candidates for testing and counseling.
- (4) Almost 40 percent, including many of those classified as needing testing and counseling, indicated that they were not fully qualified for their preferred occupations. This classified them as needing education or training. The need for education and training was no higher among FSB recipients than for the Extended Benefit comparison group.
- (5) Public employment is a specific policy prescription, not an objectively defined need. Given the high unemployment rates in the occupations of those in our sample, we estimate that more than two-fifths of all FSB and non-school SUA recipients might have benefited from public employment jobs.

3. What was the Extent of Eligibility for and Receipt of Benefits from Transfer Programs?

Up to 36 percent of both FSB and SUA households collected one or more types of transfer payments at the same time as FSB and SUA benefits. The main sources were Social Security, other pensions,^{1/} Food Stamps, and Unemployment Compensation of other family members.

^{1/} This category includes private pensions, even though they are not generally classified as transfer payments.

New legislation (P.L.94-566) now specifies that, effective October 1979, UC benefits are to be reduced by the amount of pension receipts. If this provision had been in effect during 1975, 12 percent of FSB recipients and 8 percent of SUA recipients would have had their UC payments reduced or eliminated. (These were the individuals who stated that they--as opposed to some other household member--received either Social Security or a pension at any time while receiving UC). Interestingly, relatively few of these people considered themselves to be retired.

The proportion of households receiving benefits from transfer programs for which eligibility depends upon low income was only 11 percent--this low level being primarily due to the fact that few low-income families were in fact eligible for such programs during receipt of FSB or SUA.^{1/} The only exception to the low eligibility was the Food Stamp program, for which over 30 percent of the sample were estimated to be eligible. Only one-third of those eligible, however, reported getting Food Stamps at the time of FSB or SUA receipt.

4. How did UC Benefits Help Recipients Cope with the Loss of Income from the Pre-UI Job? How Would They Have Fared in the Absence of UC?

For FSB recipients, UC benefits replaced, on average, 46 percent of gross wages and 65 percent of net (after tax) wages. Gross wage replacement ratios were concentrated in the 40 to 60 percent range. Net wage replacement ratios were substantially more variable--20 percent had net ratios over 80 percent; 15 percent had net ratios under 40 percent.

^{1/} Most transfer programs restricted to low-income groups are also restricted to particular family types, such as single-parent families with children (AFDC).

FSB benefits had a substantial effect on household incomes. Without them, 33 percent would have had 1975 household incomes below the poverty line; with them, the percentage was 23 percent. Thus, over a quarter of a million households with FSB recipients were prevented by the FSB program from falling below the poverty line.^{1/}

SUA benefits also had a substantial anti-poverty effect, although less than FSB. For SUA school workers, however, the high incidence of married women with spouses who were earners meant that few recipients lived in households that would have had below poverty line incomes even in the absence of SUA benefits.

Even with the availability of Unemployment Compensation, households of individuals in our sample made significant economic adjustments. An examination of asset data revealed that FSB recipients reduced their liquid assets in response to their job loss. Those FSB recipients who had found jobs by March 1976 had recovered only a small fraction of that reduction. Overall, those FSB recipients with high net wage replacement ratios made smaller financial adjustments than those with low net ratios. SUA recipients, on average, made no major adjustments in their asset levels in response to losing their jobs.

In addition, as a result of their unemployment, 11 percent of FSB married males had wives who either went to work or worked longer hours.

5. What Were The Work Disincentive Effects?

For some groups, the average percentages of net pre-UI wages that were replaced by UC benefits were so high as to suggest substantial labor

^{1/} The above conclusions abstract from the possible effects of lack of FSB receipt on work incentives.

force disincentives. For example, net wage-replacement rates for married women averaged 78 percent. Attempts to measure the effect of the net wage-replacement rate on various measures of labor force behavior, however, showed only a few disincentive effects.^{1/} These effects occurred for older individuals, women, and SUA school workers, and their magnitude though statistically significant was small. Concern about the combined effects of UC and income maintenance programs on wage replacement led us to construct comprehensive measures of the total wage replacement effect of transfer programs for FSB recipients. Because so few recipients were eligible for these other programs, this raised average replacement ratios by only a few percentage points. For those actually receiving such transfers, however, the average ratios exceeded 100 percent.

E. EFFECTS ON FSB AND SUA RECIPIENTS OF ALTERING UNEMPLOYMENT COMPENSATION LAWS

1. What Implications Does the Study Have for Changes in UC Coverage under P.L. 94-566?

Recent legislation (P.L. 94-566) has expanded the coverage of the regular UI system beginning in 1978, and has extended a restricted version of SUA through 1977. Employees of state and local governments and of non-profit elementary and secondary schools, as well as some agricultural and domestic workers will be covered by the regular UI system.^{2/}

The continuation of SUA was accompanied by special restrictions on school employees with a "reasonable assurance" of return to work. Such

^{1/} Our conclusions concerning this issue remain very tentative. See Chapter V for a fuller discussion of our analysis.

^{2/} Agricultural workers in establishments of 10 or more employees in 20 weeks, or with payrolls of \$20,000 per quarter, and domestic workers of employers who paid \$1,000 or more in any calendar quarter will also gain coverage.

individuals (both teachers and non-teachers) are thus now ineligible for SUA benefits during the period between school terms. This provision, if in effect during 1975, would have reduced the number of SUA recipients by 44 percent, and program costs by 25 percent.

When the expanded UI coverage takes effect, the "reasonable assurance" provision will apply to teachers; states will have the option of applying it to non-teaching school employees as well.^{1/} This special attention paid to school employees reflects the ambivalence with which workers having regular seasonal patterns of unemployment have been viewed since the very inception of the UI system.

Among the 1975 SUA recipients, about 10 percent were school employees not called back to their jobs, about 13 percent were in other state and local government jobs, and up to 11 percent were agricultural or domestic workers (only some of whom are included in the expanded coverage). As a rough approximation, therefore, we can say that less than one-third of all 1975 SUA recipients would have been eligible for UI if the expanded coverage had been in force in 1975. (This assumes that most states choose to treat non-teaching school employees the same as teachers. If most states decide not to apply the "reasonable assurance" provision to non-teaching school employees, this fraction could rise above 60 percent.)

Certain individuals qualified for SUA in 1975 because its base period differed from the one used by many states. Our findings suggest that this reason for eligibility was relatively unimportant, accounting for at most 13 percent of the total SUA caseload. Such individuals are excluded from SUA coverage by the current legislation.

^{1/} Other restriction in the expanded UI coverage will apply to pension recipients (discussed above), professional athletes, and illegal aliens.

2. Who Would Benefit from Further Extensions in the Duration of FSB Benefits?

More than one-third of the FSB recipients had exhausted their entitlements prior to the interview in March 1976. On average they had received 56 weeks of UC benefits. We estimated the proportion who would ultimately exhaust their benefits as about 40 percent. These exhaustees are the potential beneficiaries of further benefit extensions. They were older, more likely to be female, and had slightly lower family incomes than non-exhaustees. They also had lower pre-UI wages and concomitantly lower UC benefit levels.

3. How Would Alternative Eligibility Policies Affect the Pool of FSB Recipients?

Stricter regulations regarding previous labor force attachment (such as, for example, requiring more base period employment) would disproportionately exclude younger recipients, females, and those with higher family incomes. Most of the differences would not be great. Use of a three-year base period in determining eligibility, however, would be significantly more restrictive than is the current one-year base period.

4. How Would Alternative Benefit Formulas Affect FSB and SUA Benefit Levels?

Raising benefit maxima to two-thirds of the state's average weekly wage in covered employment (while maintaining current duration of benefits) would raise benefit levels for nearly one-fourth of FSB recipients and one-sixth of SUA recipients. Those gains would go primarily to married males.

Subjecting FSB and SUA benefits to the Federal Income Tax would reduce net benefits for most recipients. Its effect would be especially pronounced among those with high net wage replacement ratios. A combination of higher maxima and taxation of benefits would reduce net benefits for three times as many recipients as would have them increased. Such a policy combination would be less costly than the present programs and would somewhat reduce the present

wide range of net wage-replacement ratios. Making receipt of FSB benefits dependent on having low family income would have a major downward impact on benefit levels--especially for married women with employed husbands.

CHAPTER II

CHARACTERISTICS OF FSB AND SUA RECIPIENTS

During 1975, almost four million people received benefits from the emergency extensions of Unemployment Compensation (UC). Over two billion dollars of Federal Supplemental Benefits (FSB) were paid to 2.8 million people. Just over one million persons received at least one payment from the Special Unemployment Assistance (SUA) program, and total SUA payments in 1975 amounted to almost 700 million dollars. In this chapter, we describe the demographic, employment, and economic characteristics of the recipients and their families. Because there are substantial differences between the two groups of beneficiaries, and because different policy issues are raised by each program, FSB and SUA recipients are described in separate sections.

A. FSB RECIPIENTS

Recipients of Unemployment Compensation under the FSB program were those unemployed workers who had been eligible for, and had exhausted, both regular UI benefits and an additional term of Unemployment Compensation under the permanent federal-state program of Extended Benefits (EB). As such, they were expected to be people with substantial work histories prior to their spell of unemployment, but who had been out of work for a long period of time. Subsequent chapters suggest and analyze some possible reasons for the long-term unemployment of FSB recipients. Here, we present basic descriptive information. The group of FSB recipients who exhausted their entitlement to emergency extensions of Unemployment Compensation are especially interesting, since they could have no more immediate income

support through the Unemployment Compensation system. Section B of this chapter is devoted to them.

To identify the distinguishing characteristics of FSB recipients, we compared data for them with data for several other groups of unemployed workers. A primary source of such data was the set of interviews we administered, at the same time as the FSB interviews, to a sample of EB recipients who collected no FSB payment in 1975. These EB recipients had collected Unemployment Compensation for a shorter period of time than had the FSB recipients in our study, and the comparison between the two groups of beneficiaries was expected to reveal those characteristics associated with shorter or longer durations of receipt of UC.^{1/} External sources of data were also used: special tabulations of the characteristics of unemployed people and job losers from the Bureau of the Census' Current Population Survey; regularly published data of the Unemployment Insurance Service; and special reports about recipients of an earlier program of extended Unemployment Compensation, TEUC.

1. Demographic Characteristics

FSB recipients were more likely to be female than EB recipients, other UI recipients, or job losers who had been unemployed for 27 weeks or longer. While less than 40 percent of the insured unemployed and long-term

^{1/} Because of the timing of the sample selection and field work, the EB sample was not quite the pure comparison group we might have wished for. Twenty-eight percent of the EB recipients received their first EB payment in late 1975, shortly before the sample was selected, and consequently did not have the opportunity to collect any FSB payment in 1975. Of course, all the EB recipients could have collected FSB in 1976, if they claimed those benefits and they passed the availability for suitable work test.

unemployed job losers were women^{1/} and almost 44 percent of EB recipients were female, women accounted for 48 percent of FSB recipients.^{2/} The proportion of FSB recipients who were women varied across states. In Texas and Tennessee, over 55 percent were women; in Florida, women represented 37 percent of the FSB population. A summary of data for FSB recipients in each of the sampled states is presented in tables in Appendix 6.

We also found that FSB recipients tended to be older than other groups of unemployed people. The mean age of FSB recipients was 40 years, compared with a mean age of 36 for EB recipients, and 38 for job losers unemployed 27 weeks or more. Compared to these national data, state-by-state figures show that Georgia, Indiana, Michigan, and Utah had relatively high proportions of younger workers among their FSB populations, and Louisiana, Massachusetts, New Jersey, and New York had relatively more older people. Twenty-three percent of all FSB men were 55 years or older, as were 21 percent of FSB women; these percentages were significantly higher than the analogous figures for EB recipients (13 percent of each sex group).^{3/} Older men also formed a larger proportion of the male FSB

^{1/} The long-term unemployed are defined here as those who had been unemployed 27 weeks or longer. See Table II.1.

^{2/} Our analysis of non-response bias in Appendix 3 indicates that non-responders were more likely to be male than were responders. Also, among interstate FSB recipients, who were not included in the main survey, a higher percentage was male than among responders to the main survey (see Appendix 5). However, these differences were not large enough to change the result we present here: all FSB recipients were more likely to be female than were long-term job losers and EB recipients. In general, other differences between responders and non-responders had no effect on the differences we report as being statistically significant.

^{3/} Differences are termed significant if they are statistically significant at the 95 percent confidence level. See Appendix 1 for details about the precision of estimates.

TABLE 11.1

DEMOGRAPHIC CHARACTERISTICS OF FSB RECIPIENTS AND JOB LOSERS UNEMPLOYED 27 WEEKS OR MORE

Demographic Characteristics	FSB Recipients			Job Losers Unemployed 27 Weeks or Longer		
	Male	Female	Both Sexes	Male	Female	Both Sexes
Age						
Under 25	25.2%	16.9%	21.2%	26.0%	19.3%	23.5%
25-34	24.7	23.9	25.3	25.3	18.5	22.8
35-44	13.2	17.8	15.4	18.6	15.7	17.3
45-54	14.1	19.7	16.3	14.8	22.3	17.6
55-64	13.8	13.1	13.5	14.4	18.6	15.9
65 and Older	8.9	7.5	8.3	0.9	5.6	2.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Age	39.1	40.4	39.7	36.6	41.5	38.4
Race						
White	83.0%	86.7%	84.7%	74.6%	86.6%	79.0%
Black and Other	17.0	13.2	15.2	25.4	13.4	21.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Education						
Some Elementary School	10.0%	7.1%	8.7%	11.1%	9.2%	10.4%
Completed Elementary School	9.5	7.0	8.3	8.2	7.7	3.0
Some High School	23.2	24.4	23.8	28.3	22.4	25.2
High School Graduate	32.9	44.5	38.5	35.4	49.9	40.7
Some College	17.6	13.0	15.4	11.0	8.3	10.0
College Graduate	6.9	4.0	5.3	5.8	2.6	4.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Years of School Completed	11.1	11.2	11.2	10.7	10.8	10.7
Family Type						
Head of Household						
Husband-Wife Families						
Respondent was Husband	57.1%	n.a.	30.0%	44.8%	n.a.	28.4%
Respondent was Wife	n.a.	65.4%	31.1	n.a.	35.3%	20.3
Others Living with Family	2.9	9.9	6.2	3.2	13.0	6.8
Unrelated Individuals	16.0	13.1	14.6	12.4	12.5	12.4
Not Head of Household	24.0	11.7	18.2	39.7	19.2	32.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	3,579	3,236	6,817	2,600	1,600	4,200

Source: FSB data are weighted observations from the FSB/SUA Survey. See Appendix 1 for details about the sample and weighting procedures. Data for job losers were obtained from special tabulations from the public use file of the Current Population Survey, March 1975.

Notes: Items may not sum to total because of rounding.
n.a. = not applicable

population than of male long-term unemployed job losers. Appendix 5 shows that interstate FSB recipients and movers were older than respondents in the main survey, a result which strengthens our finding that FSB recipients were older than other groups of unemployed workers.

The relatively higher incidence of women and of older workers among beneficiaries of extended Unemployment Compensation programs and among exhaustees of regular UI programs than among other groups in the labor force has been noted in other studies also.^{1/} It stems partly from lower UI eligibility rates among younger workers and may also be the result of weaker alternative economic opportunities for women and for older workers. We look further into this issue in Chapter V.

The proportions of whites and minority race workers among female FSB recipients were the same as among female long-term job losers. However, there was a higher proportion of whites among FSB males than among all male job losers. This, too, is partly due to the lower age of minority race male workers, compared with their white counterparts and the lower UI eligibility rates of younger workers. It is also partly due to the slightly higher percentage of whites among responders than among non-responders in the FSB survey.

The education levels of FSB recipients were, on average, comparable with those of other groups unemployed for 27 weeks or more. Over 60 percent of them had some high school education or had graduated from high school, but had no further education. However, FSB recipients had a wider variation in level of education--relatively more of them had no high school education

^{1/}See "Family Characteristics of the Long-Term Unemployed," TEUC Report Series No. 7 (BES No. U-207-7), U.S. Department of Labor, Manpower Administration, Bureau of Employment Security, December 1963--data from this report are summarized in Appendix Table 5.45; Walter Nicholson and Walter Corson, "A Longitudinal Study of Unemployment Insurance Exhaustees," Mathematica Policy Research Project Report Series, No. 76-01, January 1976.

and a higher proportion had some college education--especially compared with EB recipients. This difference between EB and FSB recipients was associated with differences in their occupations and industries. As we show in the next section, proportionately more EB than FSB recipients were employed in manufacturing industries, whose employees tend to have some high school but no higher level of education.

Thirty percent of FSB recipients were married men who were heads of households. Sixty-five percent of the FSB women were married and living with their husbands--compared with 55 percent of women among long-term unemployed job losers. These women comprised 31 percent of all FSB recipients.

Further detail on the demographic characteristics of FSB recipients and long-term unemployed job losers is presented in Table II.1. Details for EB recipients appear in Appendix 6.

2. Employment and Unemployment Characteristics

The industries and occupations of FSB and EB recipients and of all job losers unemployed for 27 weeks or longer are shown in Tables II.2 and II.3; and, for FSB recipients by age and sex, in Appendix Tables 6.3 and 6.4.^{1/}

The high rate of UI coverage among employees of most manufacturing firms is reflected in the relatively large proportion of FSB and EB recipients in these industries. However, fewer FSB than EB males were in durable goods manufacturing--27 percent compared with 38 percent--and

^{1/} Industries and occupations of FSB and EB recipients are of jobs held for the longest part of the year preceding their claims for UI. About five percent of FSB and EB recipients held other, shorter jobs during this period.

TABLE II.2

DISTRIBUTION OF FSB AND EB RECIPIENTS AND OF JOB LOSERS UNEMPLOYED 27 WEEKS OR LONGER, BY INDUSTRY AND SEX^{a/}

Industry	FSB Recipients			EB Recipients			Job Losers Unemployed 27 Weeks or Longer		
	Male	Female	Both Sexes	Male	Female	Both Sexes	Male	Female	Both Sexes
Agriculture, Forestry, Fisheries	1.1%	0.3%	0.7%	0.6%	0.0%	0.3%	1.5%	0.8%	1.2%
Mining	0.5	0.1	0.3	0.7	0.3	0.5	0.5	0.0	0.3
Construction	18.7	1.6	10.6	19.6	0.5	11.3	18.6	1.7	12.5
Durable Goods Manufacturing	27.4	20.2	24.0	37.8	21.5	30.7	29.6	20.5	20.0
Nondurable Goods Manufacturing	14.2	26.7	20.1	12.3	35.3	22.2	11.9	20.2	14.9
Transportation and Public Utilities	5.7	3.7	4.7	5.4	2.5	4.2	6.3	1.9	4.7
Wholesale Trade	2.4	2.8	2.6	1.5	1.3	1.4	3.6	2.8	3.3
Retail Trade	11.0	20.5	15.5	8.5	17.8	12.6	16.7	24.5	19.5
Services	12.5	22.2	17.1	8.6	18.8	13.1	18.8	27.7	22.0
Local Government Administration	0.3	0.3	0.3	0.3	0.4	0.3	2.5	0.0	1.6
State and Federal Government Administration	6.3	1.5	4.1	4.7	1.6	3.4			
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	3,577	3,242	6,819	573	448	1,021	2,600	1,600	4,200

Source: FSB and EB data are weighted observations from the FSB/SUA Survey. See Appendix 1 for details about the sample and weighting procedures. Data for job losers were obtained from special tabulations from the public use file of the Current Population Survey, March 1975.

^{a/} Industry is of the job held prior to spell of unemployment. For FSB and EB recipients, this job, the "pre-UI job," was the longest job during the twelve months prior to claiming Unemployment Compensation.

TABLE II.3

DISTRIBUTION OF FSB AND EB RECIPIENTS AND OF JOB LOSERS UNEMPLOYED 27 WEEKS OR LONGER,
BY OCCUPATION AND SEX^{a/}

Occupation	FSB Recipients			EB Recipients			Job Losers Unemployed 27 Weeks or Longer		
	Male	Female	Both Sexes	Male	Female	Both Sexes	Male	Female	Both Sexes
Professional and Technical Workers	4.3%	3.0%	3.6%	3.9%	3.0%	3.5%	4.8%	5.0%	4.9%
Managers and Administrators	7.5	4.1	5.9	5.5	3.8	4.8	5.6	1.8	4.2
Sales Workers	3.7	6.5	5.0	1.5	4.1	2.6	2.3	7.6	4.2
Clerical Workers	6.8	33.1	19.6	5.9	26.4	14.9	5.2	35.7	16.3
Craft Workers	26.9	3.2	15.5	30.4	2.1	18.0	22.2	2.7	15.1
Operatives except Transportation	22.9	37.0	29.8	25.9	47.6	35.3	23.4	31.7	26.4
Transportation Operatives	8.0	0.6	4.4	6.4	1.3	4.2	5.4	0.0	3.5
Nonfarm Laborers	11.2	1.8	6.7	16.4	2.5	10.3	17.1	3.5	12.1
Private Household Workers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.4
Other Service Workers	8.3	10.5	9.2	4.1	9.2	6.3	13.0	10.1	12.0
Farm Workers	0.2	0.2	0.2	0.0	0.0	0.0	1.0	0.8	0.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	3,489	3,228	6,717	571	448	1,023	2,600	1,600	4,200

Source: FSB and EB data are weighted observations from the FSB/SUA Survey. See Appendix 1 for details about the sample and weighting procedures. Data for job losers were obtained from special tabulations from the public use file of the Current Population Survey, March 1975.

^{a/} Occupation is of the job held prior to spell of unemployment. For FSB and EB recipients, this job, the "pre-UI" job, was the longest job during the twelve months prior to claiming Unemployment Compensation.

fewer FSB than EB females were in nondurable goods manufacturing--27 percent compared with 35 percent. Altogether, 44 percent of FSB recipients worked in manufacturing industries. The lower proportion of FSB compared with EB recipients in manufacturing industries may have been the result of manufacturing industries recalling employees when the economy started to recover. Relatively more EB recipients were recalled to their pre-UI jobs and did not collect Unemployment Compensation for a long enough period to start FSB.

Of FSB males, 19 percent had worked in the construction industry, and more than half were craft workers or operatives. The proportion of FSB males who were laborers and service workers was lower than the incidence of these workers among male long-term unemployed job losers. Twenty percent of the women had worked in retail trade and 22 percent in service industries. One-third of the women were operatives and one-third clerical workers. The occupational distributions of FSB women and female job losers who had been unemployed for 27 weeks or longer were very similar, except that a slightly higher percentage of FSB women were operatives, managers and administrators.

Larger proportions of FSB recipients in Indiana, Michigan and Pennsylvania had been employed in durable goods manufacturing--a reflection of the different industrial structure of different states. Georgia and Tennessee had relatively more FSB recipients from nondurable manufacturing, and New York from service industries.

FSB recipients held their pre-UI jobs for an average of about five years, and worked an average of about 26 months during the three years before claiming UI. EB recipients, possibly because they were younger on average, had not held their pre-UI jobs quite so long.

TABLE II.4
PRE-UI EMPLOYMENT CHARACTERISTICS OF FSB AND EB RECIPIENTS

Employment Characteristics	FSB Recipients			EB Recipients		
	Male	Female	Both Sexes	Male	Female	Both Sexes
Mean Number of Years Since First Regular Job	20.8	19.2	20.0	16.8	16.4	16.5
Mean Percent of Years Worked Since Then	39.1	77.1	33.5	90.3	35.4	38.2
Mean Number of Months Worked in 3 Years Prior to Claim for Unemployment Compensation	26.8	24.8	25.3	27.3	26.2	27.0
Mean Number of Months Between Start and End Date of Pre-UI Job	63.7	57.9	60.9	50.0	56.2	52.4
Mean Gross Weekly Earnings in Pre-UI Job ^{a/}	\$199	\$139	\$170	\$208	\$115	\$167
Mean Hours Worked per Week in Pre-UI Job	42.3	38.2	40.4	42.7	37.9	40.6
Percent Belonging to a Labor Union in Pre-UI Job	42.3	27.7	35.4	45.0	26.6	36.3
Mean Number of Months in Union	102.3	88.2	97.0	85.2	56.6	76.3
Percent of Union Members with (when Pre-UI Job Ended)						
SUB ^{b/}	10.6	6.1	9.0	20.3	7.9	16.5
Guaranteed Annual Income ^{b/}	3.3	3.4	3.3	0.9	0.0	0.6
Weighted Sample Size	3,234	2,864	6,099	563	445	1,009

^{a/} Adjusting pre-UI weekly earnings to 1975 dollars yielded the following results:

FSB Recipients			EB Recipients		
Male	Female	Both Sexes	Male	Female	Both Sexes
\$210	\$147	\$180	\$215	\$120	\$173

^{b/} SUB (Supplementary Unemployment Benefits) are benefits paid to laid-off workers by employers through union-administered funds. In some cases, unions make contributions to funds. Benefits are paid weekly until workers are reemployed, or until the funds are exhausted. Guaranteed Annual Income is similarly funded and managed. Benefits under this program are related to seniority and wage level.

Weekly earnings of most FSB recipients were slightly lower than the national average for production and non-supervisory workers within the same industry,^{1/} as were their hours of work. The relatively high proportion of manufacturing workers collecting FSB resulted in their overall average earnings being higher than the national average for production and non-supervisory workers. Although only slightly fewer FSB than EB males belonged to a union--42 percent compared with 45 percent--the incidence of FSB males' receipt of Supplementary Unemployment Benefits (SUB)^{2/} from their unions when they lost their jobs was much lower. Among EB males who belonged to a union, one-fifth got SUB, while the analogous figure for FSB males was only 11 percent. This difference may have been a result of the higher incidence of EB males' pre-UI employment in durable goods manufacturing industries. Similar proportions of FSB as of EB women benefited from SUB.

FSB recipients' average weekly benefits from Unemployment Compensation--\$73 for men and \$55 for women--were the same as those of EB recipients but, because of their longer spells of unemployment, they collected benefits for a much longer period of time. Both male and female FSB recipients collected Unemployment Compensation for an average of 50 weeks; they were entitled to an average of 55 weeks of full benefits. As a result of their long periods of unemployment, a substantial proportion of FSB

^{1/} Adjusting pre-UI weekly earnings to 1975 dollars slightly reduced the difference between the reported earnings of FSB and EB recipients, because FSB recipients tended to have lost their pre-UI jobs earlier than EB recipients. See Table II.4, footnote a.

^{2/} SUB, Supplementary Unemployment Benefits, are benefits paid to laid-off workers by employers through union-administered funds. In some cases, unions make contributions to funds. Benefits are paid weekly until workers are reemployed or until the funds are exhausted.

TABLE II.5

REASON FOR LOSS OF PRE-UI JOB AND UNEMPLOYMENT EXPERIENCE OF FSB AND EB RECIPIENTS

Unemployment Experience	FSB Recipients			EB Recipients		
	Male	Female	Both Sexes	Male	Female	Both Sexes
Reason Pre-UI Job Ended						
Seasonal Layoff	13.1%	11.3%	12.2%	13.2%	13.3%	13.3%
General Decline in Business	51.6	47.1	49.5	60.2	49.2	55.3
Other Reasons	35.3	41.6	38.3	26.6	37.5	31.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Number of Weeks Not Working	60.0	66.2	63.0	36.8	38.0	37.7
Mean Weekly Unemployment Compensation	\$73	\$55	\$64	\$75	\$53	\$65
Mean Number of Weeks Collecting Unemployment Compensation	50.2	50.0	50.1	31.6	30.1	30.9
Mean Number of Weeks Entitled to Collect Full Amount of Unemployment Compensation	55.6	54.5	55.1	58.7	55.3	57.2
Percent Exhausting Benefits by March 1976	35.0	36.8	35.9	^{a/}	^{a/}	^{a/}
Weighted Sample Size	3,472	3,148	6,625	567	444	1,011

^{a/} The sample of EB recipients included only those who started EB in October 1974 or later, who did not collect any FSB in 1975. Since almost all of them were eligible for FSB in 1975, very few had exhausted their entitlement to Unemployment Compensation by March 1976.

recipients exhausted all Unemployment Compensation: 35 percent of FSB males and 37 percent of FSB females exhausted their benefits by March 1976. A description of FSB exhaustees appears later in this chapter. Data about FSB and EB recipients' pre-UI employment and their periods of unemployment are shown in Tables II.4 and II.5. More detailed information can be found in Appendix 6, which also includes data about Unemployment Compensation collection in different states.

By March 1976, 38 percent of EB recipients had been called back to their old jobs, while only 17 percent of FSB recipients had been recalled. The recall rate of women was higher than that of men--19 percent of FSB women versus 16 percent of FSB men. These data are shown in Table II.6. One-fourth of those recalled had been out of work for 27-39 weeks, and another fourth had been out of work for 40-52 weeks. Over 30 percent of the call backs of FSB recipients were of those who had not worked for more than a year.

Half of the FSB recipients who had been recalled by March 1976 were still working on their pre-UI jobs when we interviewed them. Just under half of those who were recalled and did not go back to their pre-UI jobs were employed in other jobs in March 1976. One-third of all FSB recipients and half of the EB recipients were employed in March 1976. Half of the reemployed FSB and EB recipients worked in the same industries as in their pre-UI jobs, but the former were more likely to be working in a different occupation, and their average weekly hours and earnings were lower than before. In spite of this, only about 20 percent said that their current jobs were worse than their pre-UI jobs.

TABLE II.6
LABOR FORCE STATUS OF FSB AND EB RECIPIENTS, MARCH 1976

Labor Force Status	FSB Recipients			EB Recipients		
	Male	Female	Both Sexes	Male	Female	Both Sexes
Percent Called Back to Pre-UI Job, March 1976	15.5	19.4	17.4	35.5	40.5	37.7
Percent Reemployed in Pre-UI Job, March 1976	6.9	8.0	7.4	22.4	24.2	23.2
Labor Force Status, March 1976						
Employed	33.5%	28.3%	31.2%	58.3%	51.2%	55.1%
Unemployed	51.6	43.2	47.6	32.3	33.5	33.2
Not in Labor Force	14.9	28.1	21.1	8.9	15.3	11.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	3,572	3,247	6,819	570	446	1,016
Employed FSB and EB Recipients						
Percent in Same Industry as Pre-UI Industry	51.6	57.4	54.3	57.3	75.2	65.3
Percent in Same Occupation as Pre-UI Occupation	49.0	61.6	54.6	60.4	74.5	66.5
Mean Weekly Earnings in Current Job	\$167	\$106	\$140	\$177	\$109	\$147
Mean Weekly Earnings in Pre-UI Job	\$196	\$144	\$173	\$195	\$114	\$161
Mean Hours Worked per Week in Current Job	40.4	33.7	37.4	40.8	36.3	38.8
Mean Hours Worked per Week in Pre-UI Job	42.6	38.7	40.9	42.2	37.6	40.3
Weighted Sample Size	941	766	1,708	278	212	492

About one-fifth of FSB recipients had withdrawn from the labor force in March 1976 (that is, they were not employed and they were not considered unemployed because they were not looking for work), a higher rate of withdrawal than for EB recipients, as one might expect given the nature of the EB sample: EB recipients were unemployed for a shorter period of time, they were younger and a higher proportion of them was male. All of these factors have been shown to be important determinants of labor force participation. We present additional detail about FSB recipients' labor force status by age and sex in Appendix t. That detail shows labor force withdrawal rates for both sexes, which rise with the age of FSB recipients. While 15 percent of all FSB males were not in the labor force when we interviewed them, 28 percent of FSB women had withdrawn from the labor force then. Also, the withdrawal rate was higher among exhaustees than among nonexhaustees. We discuss this further, with our description of FSB exhaustees, later in this chapter.

Of those FSB recipients not in the labor force, about half said they wanted a job and of these, over half said they were not looking for work for reasons which would classify them as discouraged workers--defined as those who said they wanted jobs but were not looking because they believed that no work was available; that they could not find work; that they lacked education or skills; that they were too young or too old; or that they suffered from personal handicaps in finding work. Most of the women not in the labor force reported their current activity to be keeping house, while one-fourth of the men said they were retired. These data are reported in Table II.7. The proportions of those who wanted a job and of those who were discouraged workers among FSB recipients not in the labor

TABLE II.7

FSB RECIPIENTS NOT IN THE LABOR FORCE, MARCH 1976

	Male	Female	Both Sexes
Not in the Labor Force			
Wanted a Job ^{a/}	50.5%	51.3%	51.0%
Did Not Want a Job	49.5	48.7	49.0
Total	100.0%	100.0%	100.0%
Weighted Sample Size	532	913	1,445
Percent of Those Who Wanted a Job ^{a/b/} by Reason Not Looking for One			
Thought No Job Available	32.3	25.9	28.3
Could Not Find Work	16.9	14.9	15.7
Employers Think Too Young or Too Old	19.2	8.3	12.4
Other Personal Handicap	3.8	5.6	4.9
Family Responsibilities	2.7	27.3	18.6
In School or Training Program	10.8	3.4	6.0
Ill Health, Disability	24.6	14.5	18.4
Other	20.4	28.6	25.6
Weighted Sample Size	273	475	748
Activity of Those Who Did Not Want a Job			
Keeping House	10.4%	72.6%	49.5%
Going to School	9.0	2.2	5.0
Unable to Work	16.5	7.0	10.5
Retired	53.3	14.4	28.7
Other	10.8	3.8	6.3
Total	100.0%	100.0%	100.0%
Weighted Sample Size	252	428	684

^{a/} Includes those who were not sure whether they wanted a job or not.

^{b/} Items may sum to more than 100 percent because more than one reason may have been given for not looking for work.

force were much higher than the corresponding proportions among those not in the labor force in the population as a whole, because of FSB recipients' recent labor market attachment.

3. Household Economic Characteristics

Table II.8 summarizes data about the income of FSB households. Their median incomes in 1973 and 1974 were below the national median. In 1974, the national median household income was \$11,200,^{1/} while FSB recipients' median household income was \$9,160.

Family composition plays an important role in determining family income, and in 1975 the earnings of spouses of FSB recipients were substantial sources of income in their households. When we interviewed them, three-fourths of female FSB recipients in husband-wife families had husbands who were employed and 40 percent of male FSB recipients in husband-wife families had wives who were employed. Non-heads of households were mainly younger people living with their families; two-thirds of them lived with other earners. These household demographic data are summarized in Appendix 6.

There were adjustments in labor force activities by members of FSB recipients' households when the latter lost their jobs. Nine percent of FSB married males had wives who went to work when they lost their pre-UI jobs. Another two percent had wives who worked longer hours than they had before their husbands became unemployed. Five percent of FSB married

^{1/} See "Money Income and Poverty Status of Families and Persons in the United States: 1975 and 1974 Revisions," Advance Report, U.S. Department of Commerce, Bureau of the Census, Current Population Reports, Series P-60, No. 103, September 1976.

TABLE 11.8
HOUSEHOLD INCOME OF FSB RECIPIENTS

Income	Husband-Wife Families		Head of Household Other Families		Unrelated Individuals		Not Head of Household		All FSB Recipients
	Male Respondent	Female Respondent	Male Respondent	Female Respondent	Male Respondent	Female Respondent	Male Respondent	Female Respondent	
Household Income, 1973									
Mean	\$10,540	\$11,650	\$ 9,160	\$ 7,550	\$ 7,060	\$ 6,200	\$10,050	\$ 9,250	\$10,040
Median	9,610	11,620	8,170	5,940	6,490	5,060	8,240	6,820	9,100
Household Income, 1974									
Mean	\$10,730	\$12,730	\$ 9,000	\$ 9,370	\$ 7,030	\$ 6,300	\$10,410	\$10,570	\$10,630
Median	9,580	12,250	7,520	5,870	6,070	4,670	8,200	7,560	9,160
Mean Household Income, 1975, by Source									
Respondent Earnings	\$ 3,550	\$ 160	\$ 1,610	\$ 1,010	\$ 1,260	\$ 840	\$ 1,540	\$ 1,140	\$ 1,700
Spouse Earnings	2,200	8,590	390	860	40	570	170	640	3,370
Earnings of Others	590	750	2,470	1,100	510	160	7,300	6,490	1,830
Social Security	520	380	600	570	150	880	290	670	450
Pensions	470	180	400	120	100	190	90	210	250
Unemployment Compensation	2,750	2,040	2,550	1,870	2,480	1,960	2,270	1,890	2,310
Other Transfer Income	440	250	340	750	240	130	400	310	350
Other Income	190	170	270	360	110	140	110	220	170
Total, without Respondent's Unemployment Compensation	\$ 8,000	\$10,640	\$ 6,080	\$ 4,770	\$ 2,400	\$ 2,920	\$ 9,890	\$ 9,730	\$ 8,190
Total, with Respondent's Unemployment Compensation	\$10,690	\$12,500	\$ 8,630	\$ 6,640	\$ 4,880	\$ 4,880	\$12,160	\$11,560	\$10,420
Ratio of Income, without Unemployment Compensation, to Poverty Standard, 1975									
0-1.0 ^{a/}	48.7%	20.6%	51.1%	59.8%	73.6%	65.4%	43.9%	38.4%	42.4%
1.0-1.5	15.1	11.1	14.2	15.5	10.0	13.2	10.3	14.0	12.7
1.5-2.0	11.8	14.6	9.5	9.9	5.2	11.0	9.6	14.8	11.9
2.0-3.0	14.2	28.5	11.7	8.8	6.4	5.4	15.6	15.8	17.4
3.0 and Over	9.9	25.2	13.6	6.0	4.8	5.1	20.8	17.0	15.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percent of Households with Income, including Unemploy- ment Compensation, below Poverty Standard, 1975	22.7	14.5	28.1	40.9	28.8	29.8	28.5	26.3	22.9

a/ If a ratio, calculated to several decimal points, exactly equalled the end point of a specified range, that observation was assigned

TABLE 11.8 (Continued)

Income	Husband-Wife Families		Head of Household Other Families		Unrelated Individuals		Not Head of Household		All PSB Recipients
	Male	Female	Male	Female	Male	Female	Male	Female	
	Respondent	Respondent	Respondent	Respondent	Respondent	Respondent	Respondent	Respondent	
Percent of Households with Income, excluding PSB, below Poverty Standard, 1975	35.5	17.8	43.1	52.0	52.7	51.7	35.2	31.8	33.1
Mean Net Worth									
At Start of Benefit Year	\$ 2,226	\$ 695	\$ 1,542	\$ 303	\$ 624	\$ 2,272	\$ 954	\$ 619	\$ 1,265
In March 1976	1,925	654	1,241	204	496	1,916	678	456	1,073
Change	- 301	- 41	- 301	- 99	- 128	- 356	- 276	- 163	- 192
Mean Weekly Income at Time of First PSB Payment									
Without PSB	\$ 84	\$ 180	\$ 87	\$ 69	\$ 19	\$ 30	\$ 159	\$ 161	\$ 122
With PSB	161	243	159	126	91	96	224	216	186
Weighted Sample Size	1,959	1,953	100	299	552	400	823	356	6,540

women had husbands who worked longer hours when their wives lost their pre-UI jobs.

Another way in which FSB recipients adjusted to their unemployment-induced loss of income was to reduce their savings. As shown in Table II.8, the mean net worth of the FSB sample fell by \$192 between the start of their benefit years and the March 1976 interview date. That reduction amounted to 15 percent of initial net worth and was composed primarily of decreases in liquid assets. Mean levels of debts were little changed by FSB recipients over their period of unemployment.^{1/}

In 1975, Unemployment Compensation constituted 22 percent of total FSB household income. (See Table II.8 which presents data about FSB recipients' household incomes.) Without Unemployment Compensation, nearly 50 percent of the households of FSB married men would have had incomes below the poverty standard,^{2/} and unrelated individuals and single heads of families would also have fared badly, assuming they would have made no behavioral adjustments to a loss of Unemployment Compensation. However, the earnings of their husbands would have kept from poverty most FSB recipients who were married women. Although 20 percent of this latter group had household incomes, without Unemployment Compensation, which were below the poverty standard, over half of their households had incomes which (again, without Unemployment Compensation) were more than twice the poverty

^{1/} The assets and debts data for the FSB and SUA samples are described in greater detail in Appendix 9.

^{2/} The Orshansky index adopted by a Federal Interagency Committee as the official poverty standard averaged \$5,500 for nonfarm families of four in 1975.

level, and one-fourth had incomes more than three times the poverty standard--a level of income for families of four which was approximately equal to the national median income in 1975.

Clearly, FSB recipients' household incomes varied widely. Overall one-third had incomes, excluding Unemployment Compensation, which were at least twice as high as the poverty standard; and one-sixth had household incomes (again, excluding Unemployment Compensation), which were at least three times the poverty standard. On the other hand, without any Unemployment Compensation, a relatively high proportion of all FSB households--42 percent--would have been below poverty level, while without FSB payments one-third of all FSB households would have been poor.

Thus, Unemployment Compensation reduced substantially the number of poor households among FSB recipients. However, even with Unemployment Compensation, 23 percent of all FSB households were still poor in 1975--a higher proportion than found in all households nationally.

B. FSB EXHAUSTEES

Thirty-six percent of FSB recipients had exhausted their benefits by March 1976. However, not everyone who received FSB in 1975 had time to exhaust their benefits by March 1976, so FSB exhaustees in this study were predominantly those who started to receive FSB before October 1975. Fifteen percent of FSB exhaustees were backlog cases--those people who had exhausted their entitlement to Unemployment Compensation before January 1975 and who started to collect FSB as soon as that program started. An examination of exhaustion rates among only those FSB recipients who had a chance to exhaust their entitlements by March 1976, and adjusting for the influence of the backlog cases among them, suggests

that about 40 percent of all FSB recipients will exhaust their benefits under the emergency extensions to Unemployment Compensation.

Exhaustion rates varied widely among the sampled states. They were higher in Louisiana, Washington, New Jersey and Florida than in other states in our study, and they were relatively low in Tennessee, Utah and Pennsylvania. There were few differences between exhaustees and FSB recipients who did not exhaust their benefits, although the rate of exhaustion was slightly higher among women (37 percent) than among men (35 percent), and among older men than younger men--38 percent of men 55 years and older exhausted their FSB benefits, while 32 percent of men between 25 and 44 years old exhausted their entitlement. Slightly more exhaustees (68 percent) than nonexhaustees (64 percent) were married women living with their husbands. However, none of these differences was statistically significant. Data about exhaustees are presented in Tables II.9 to II.11 and in Appendix Table 6.9.

Exhaustees' pre-UI employment experience was also similar to that of all FSB recipients. There were no substantial differences in the occupations or industries of their pre-UI jobs, although exhaustees' wages were lower than those of nonexhaustees, and they had worked slightly fewer months in the three years before claiming Unemployment Compensation. A higher proportion of exhaustees had been laid off from their pre-UI jobs for seasonal reasons--14 percent, compared with 11 percent for nonexhaustees. They were not working for an average of about four weeks longer than nonexhaustees--65 weeks compared with 61 weeks. They collected Unemployment Compensation for an average of 56 weeks, while nonexhaustees collected benefits, on average, for 47 weeks. Exhaustees' weekly benefit amounts were a little lower, particularly

TABLE II.9
DEMOGRAPHIC CHARACTERISTICS OF FSB EXHAUSTEES AND NONEXHAUSTEES

Demographic Characteristics	Exhaustees			Nonexhaustees		
	Male	Female	Both Sexes	Male	Female	Both Sexes
Age						
Under 25	27.1%	16.1%	21.8%	24.1%	17.4%	21.0%
25-34	22.1	25.4	23.7	26.2	26.3	26.2
35-44	12.2	17.8	14.9	13.7	17.9	15.7
45-54	14.1	18.7	16.4	14.1	19.7	16.3
55-64	14.8	14.7	14.7	13.4	12.2	12.8
65 and Older	9.7	7.2	8.5	8.5	7.5	8.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Age	39.5	40.8	40.2	38.9	40.0	39.5
Race						
White	81.0%	85.1%	83.1%	84.0%	87.7%	85.7%
Black and Other	19.0	14.9	17.0	15.9	12.3	14.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Education						
Some Elementary School	10.6%	8.5%	9.6%	9.5%	6.3%	8.0%
Completed Elementary School	10.8	7.2	9.1	8.8	6.3	7.9
Some High School	25.6	23.7	24.7	21.7	24.3	23.2
High School Graduate	29.3	45.2	37.3	34.7	44.1	39.2
Some College	15.6	11.7	13.7	18.7	13.9	16.4
College Graduate	7.5	3.7	5.6	6.6	4.2	5.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Years of School Completed	11.0	11.0	11.0	11.2	11.3	11.3
Family Type						
Head of Household						
Husband-Wife Families						
Respondent was Husband	55.1%	n.a.	28.3%	58.2%	n.a.	30.9%
Respondent was Wife	n.a.	67.9%	33.1	n.a.	64.0%	30.0
Others Living with Family	1.9	9.0	5.4	3.4	10.3	6.6
Unrelated Individuals	18.2	11.9	15.1	14.8	13.6	14.3
Not Head of Household	24.7	11.3	18.2	23.6	12.0	18.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	1,251	1,192	2,443	2,306	2,038	4,336

n.a. = not applicable

TABLE II.10
EMPLOYMENT AND UNEMPLOYMENT CHARACTERISTICS OF FSB EXHAUSTEES AND NONEXHAUSTEES

Employment and Unemployment Characteristics	Exhaustees			Nonexhaustees		
	Male	Female	Both Sexes	Male	Female	Both Sexes
Mean Number of Months Worked in 3 Years Prior to Claim for Unemployment Compensation	26.1	23.4	24.8	27.2	25.6	26.4
Mean Gross Weekly Earnings in Pre-UI Job	\$189	\$131	\$161	\$204	\$144	\$176
Mean Hours Worked in Pre-UI Job	42.5	38.5	40.5	42.2	38.1	40.3
Percent Laid Off from Pre-UI Job Because of Seasonal Decline in Business	14.7	14.0	14.3	12.2	9.7	11.0
Mean Number of Weeks Not Working	62.5	68.2	65.3	58.5	64.9	61.5
Mean Weekly Unemployment Compensation	\$70	\$55	\$59	\$74	\$56	\$65
Mean Number of Weeks Collecting Unemployment Compensation	56.5	55.6	56.1	46.7	46.6	46.6
Percent Recalled to Pre-UI Job	12.8	20.2	16.4	17.0	19.0	17.9
Labor Force Status, March 1976						
Employed	26.0%	24.4%	25.3%	37.5%	31.5%	34.6%
Unemployed	58.0	44.9	51.7	48.1	42.2	45.3
Not in Labor Force	15.9	30.6	23.1	14.3	26.3	20.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	1,130	1,034	2,439	2,100	1,320	3,927

among the men, who received \$70--\$4 less than male nonexhaustees. Fewer exhaustees had been reemployed by March 1976 and more of them had withdrawn from the labor force than had nonexhaustees. Thirty percent of the female exhaustees were not in the labor force in March 1976 and 16 percent of male exhaustees had withdrawn from the labor force by then.

Exhaustees' rate of withdrawal from the labor force was consistent with that reported in an earlier study of exhaustees of regular UI.^{1/} That study reported 30 percent of women and 21 percent of men had withdrawn from the labor force one year after exhausting regular UI benefits, and demonstrated that the rate of labor force withdrawal increased with the length of time since exhausting benefits. Differences in timing and the age distribution of males of the two samples probably account for the small differences in results.

Because of the influence of backlog cases, however, our total sample of FSB exhaustees was slightly biased. The rate of withdrawal from the labor force of these backlog cases was higher than for other FSB recipients, especially among male backlog cases (31 percent), so that the percent of all FSB exhaustees who withdraw from the labor force may be lower in the future than that we report here. The high rate of withdrawal for male backlog cases was partly the result of the higher proportion of older males in this population than among non-backlog cases. Eighteen percent of male backlog cases were 65 years or older; 7 percent of the male non-backlog cases were this age. However, even for exhaustees who were not backlog cases, the rate of withdrawal from the labor forces was 13 percent for males and 27 percent for females.

^{1/} See Walter Corson, Walter Nicholson and Felicity Skidmore, "Experiences of Unemployment Insurance Recipients during the First Year After Exhausting Benefits," MPR Project Report Series, No. 76-14, August 1976.

Not surprisingly, exhaustees' household incomes were lower on average than the incomes of all FSB recipients. Exhaustees' incomes are summarized in Table II.11. The lower average was mainly the result of lower incomes for households of married male exhaustees who were heads of households. In 1975, their earnings were lower than those in similar households among all FSB recipients.

C. SUA RECIPIENTS

Special Unemployment Assistance provided temporary protection to unemployed workers not covered by regular UI programs. The Department of Labor estimated that, of 77 million wage and salary workers in 1973, 12 million were not covered by state or federal UI laws. The largest groups of uncovered workers were 7.7 million employees of local governments, 1.5 million domestic workers, 700,000 employees of large farms and 600,000 state government employees. In addition, there were estimated to be 1.4 million uncovered workers in small firms, small farms, nonprofit organizations, and other establishments.^{1/} Of local government employees, who made up 65 percent of the uncovered workers, half work in local schools.^{2/}

In addition to extending Unemployment Compensation to workers in industries and occupations not covered by regular UI programs, the SUA program specified a base period which differed from that used by most states' regular UI programs. We identified over 87 percent of SUA

^{1/} U.S. Department of Labor, Manpower Administration, April 8, 1975. Data presented in "Information on Unemployment and Unemployment Compensation Programs," Subcommittee on Unemployment Compensation of the Committee on Ways and Means, U.S. House of Representatives, September 22, 1975.

^{2/} "Public Employment in 1975," U.S. Department of Commerce, Bureau of the Census, GE 75, No. 1, June 1976.

TABLE 11.11
HOUSEHOLD INCOME OF PSB EXHAUSTEES

Income	Head of Household						Not Head of Household		
	Husband-Wife Families		Other Families		Unrelated Individuals		Male Respondent	Female Respondent	All FSB Exhaustees
	Male Respondent	Female Respondent	Male Respondent	Female Respondent	Male Respondent	Female Respondent			
Household Income, 1973									
Mean	\$ 9,890	\$11,510	\$ 7,640	\$ 6,520	\$ 7,230	\$ 6,780	\$ 9,750	\$ 9,590	\$ 9,810
Median	9,220	11,310	7,360	5,630	6,250	5,380	8,410	6,710	8,340
Household Income, 1974									
Mean	\$ 9,260	\$12,300	\$ 7,110	\$ 6,800	\$ 7,130	\$ 6,960	\$10,360	\$ 9,250	\$ 9,940
Median	8,710	11,750	5,760	5,830	5,640	4,350	8,140	6,140	8,670
Mean Household Income, 1975, by Source									
Respondent Earnings	\$ 1,270	\$ 190	\$ 790	\$ 650	\$ 1,120	\$ 820	\$ 1,210	\$ 710	\$ 900
Spouse Earnings	1,960	8,430	0	1,050	10	1,030	130	560	3,390
Earnings of Others	400	660	1,480	1,280	510	120	7,240	6,330	1,730
Social Security	610	410	470	560	90	860	240	710	460
Pensions	580	160	510	100	170	210	70	320	280
Unemployment Compensation	3,040	2,230	2,290	2,120	2,880	2,360	2,340	2,070	2,530
Other Transfer Income	450	240	340	960	310	180	370	310	350
Other Income	150	180	330	450	150	120	100	150	170
Total, without Respondent's Unemployment Compensation									
	\$ 5,470	\$10,400	\$ 4,020	\$ 5,050	\$ 2,350	\$ 3,350	\$ 9,360	\$ 9,160	\$ 7,350
Total, with Respondent's Unemployment Compensation									
	\$ 8,450	\$12,500	\$ 6,310	\$ 7,160	\$ 5,230	\$ 5,700	\$11,690	\$11,160	\$ 9,810
Ratio of Income, without Unemployment Compensation, to Poverty Standard, 1975									
0-1.0 ^a	49.9%	23.0%	53.4%	59.0%	73.8%	70.5%	46.6%	39.9%	43.8%
1.0-1.5	15.3	11.8	22.5	16.4	8.6	13.0	8.7	16.3	12.7
1.5-2.0	13.1	14.2	14.7	11.3	7.0	5.5	9.7	15.4	12.1
2.0-3.0	14.2	26.6	6.6	4.1	5.5	2.3	17.0	12.7	16.5
3.0 and Over	7.1	24.4	2.9	9.0	5.1	8.7	18.1	15.3	14.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

^a/ If a ratio, calculated to several decimal points, exactly equalled the end point of a specified range, that observation was assigned to the lower category.

TABLE 11.11 (Continued)

Income	Husband-Wife Families		Lead of Household Other Families		Unrelated Individuals		Not Head of Household		All PSB Exhaustion
	Male	Female	Male	Female	Male	Female	Male	Female	
	Respondent	Respondent	Respondent	Respondent	Respondent	Respondent	Respondent	Respondent	
Percent of Households with Income, including Unemploy- ment Compensation, below Poverty Standard, 1975	21.2	15.5	30.4	31.8	21.7	25.2	29.2	27.4	22.2
Percent of Households with Income, excluding PSB, below Poverty Standard, 1975	43.9	21.1	52.2	50.9	61.8	63.3	40.0	34.1	38.6
Real Weekly Income at Time of First PSB Payment									
Without PSB	\$ 73	\$101	\$ 60	\$ 76	\$ 18	\$ 46	\$155	\$161	\$117
With PSB	149	217	129	133	88	104	214	213	181
Weighted Sample Size	664	742	21	99	219	112	299	120	2,420

recipients in 1975 as having worked in industries or occupations not covered by regular UI.^{1/}

Fifty-five percent of all SUA recipients in 1975 were workers in elementary or secondary schools. They collected Unemployment Compensation for a relatively short period, during the summer. Among school workers, 35 percent were food and other service workers, 28 percent were clerical workers and 25 percent were teachers. Eight percent of all SUA recipients were local government administrative personnel; seven percent were agricultural workers; and one percent were household workers. The rest worked mainly in service industries or nondurable goods manufacturing. Compared to their incidence among uncovered workers, school workers were a relatively high percentage of SUA recipients in 1975. This may have been because school workers have a very regular pattern of seasonal layoffs, and possibly because they were made aware of the availability of SUA to a greater extent than were other unemployed workers who might have qualified for the program. Their large numbers in this special program of Unemployment Compensation raised again the issue of coverage of seasonal workers in UI programs.

The incidence of school workers among SUA recipients in California and Florida was much lower than in other states, because these states cover school workers in their regular state UI programs under similar conditions as other workers. Some school workers are covered by Michigan's regular UI program also, and school workers were a lower proportion of that state's SUA population. About 80 percent of SUA recipients in Louisiana, Pennsylvania, and Texas had been employed in

^{1/}Chapter VI deals with this issue more fully.

school systems. Appendix 6 gives more detail about SUA recipients by state.

Seventy percent of all SUA women and 22 percent of SUA men worked in elementary and secondary schools before receiving SUA. As we expected, these industry and occupation distributions are very different from those of any other group of unemployed people. The distributions of SUA recipients and all job losers by industry and occupation and by sex are presented in Tables II.12 and II.13.

Under the extension of SUA through 1977, enacted as part of the Unemployment Compensation Amendments of 1976, school employees will no longer be afforded special Unemployment Compensation coverage. The Amendments also provided that all local government employees, in addition to state employees, some domestic workers and employees of large farms, will be covered under regular UI programs starting in January 1978. Teachers and professional athletes with contracts will be disqualified from receiving UI benefits; states may exercise the option of excluding nonprofessional school employees who have a "reasonable assurance" of being rehired at the start of the next school term. SUA recipients in 1977 and additional workers covered by amended regular UI programs starting in 1978, therefore, will be very different from those we describe here.^{1/}

Because school workers are a large, readily identifiable group of particular policy interest, we present data about SUA recipients

^{1/} The extension of SUA will also use states' regular UI base periods in determining eligibility and benefits. Our data suggest that this change will affect relatively few SUA claimants.

TABLE II.12
DISTRIBUTION OF SUA RECIPIENTS AND ALL JOB LOSERS, BY INDUSTRY AND SEX^{a/}

Industry	SUA Recipients			Job Losers		
	Male	Female	Both Sexes	Male	Female	Both Sexes
Agriculture, Forestry, Fisheries	15.3%	3.5%	6.9%	1.5%	0.3%	1.2%
Mining	0.1	0.0	0.0	0.6	0.2	1.5
Construction	5.5	0.2	1.7	25.4	1.2	18.1
Durable Goods Manufacturing	5.6	1.6	2.8	28.3	28.6	28.4
Nondurable Goods Manufacturing	5.4	5.3	5.3	12.1	25.5	16.2
Transportation and Public Utilities	5.6	1.2	2.8	6.6	2.4	5.5
Wholesale Trade	1.7	0.6	0.9	3.1	2.2	2.9
Retail Trade	5.4	2.5	3.3	10.7	19.3	13.3
Elementary and Secondary Schools	21.7	68.6	55.3	11.2	19.1	12.9
Other Services	13.9	9.8	11.0			
Local Government Administration	14.2	4.8	7.5			
State and Federal Government Administration	4.6	1.8	2.6	1.2	1.1	1.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	1,113	2,815	3,935	3,000	1,300	4,300

Source: SUA data are weighted observations from the FSB/SUA Survey. See Appendix 1 for details about the sample and weighting procedures. Data for job losers were obtained from special tabulations from the public use file of the Current Population Survey, March 1975.

^{a/} Industry is the job held prior to spell of unemployment. For SUA recipients, this job, the "pre-UI job," was the longest job during the twelve months prior to claiming Unemployment Compensation.

TABLE II.13
DISTRIBUTION OF SUA RECIPIENTS AND ALL JOB LOSERS, BY OCCUPATION AND SEX^{a/}

Occupation	SUA Recipients			Job Losers		
	Male	Female	Both Sexes	Male	Female	Both Sexes
Professional and Technical Workers	16.2%	19.3%	18.4%	3.9%	3.4%	3.8%
Managers and Administrators	4.5	4.0	4.1	3.6	2.0	3.1
Sales Workers	1.6	1.2	1.3	2.6	5.0	3.3
Clerical Workers	6.0	28.4	22.1	3.2	24.7	9.8
Craft Workers	10.4	1.9	4.2	28.3	2.2	20.7
Operatives except Transportation	8.7	5.9	6.7	24.9	45.9	31.3
Transportation Operatives	10.6	3.0	5.2	7.5	0.3	5.3
Nonfarm Laborers	10.1	0.6	3.3	17.6	2.3	12.9
Private Household Workers	0.4	1.5	1.2	0.0	1.5	0.4
Other Service Workers	18.2	31.3	27.6	6.4	12.6	8.3
Farm Workers	13.4	3.0	5.9	1.4	0.3	1.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	1,113	2,915	3,935	3,000	1,300	4,300

Source: SUA data are weighted observations from the PSB/SUA Survey. See Appendix 1 for details about the sample and weighting procedures. Data for job losers were obtained from special tabulations from the public use file of the Current Population Survey, March 1975.

^{a/} Occupation is of the job held prior to spell of unemployment. For SUA recipients, this job, the "pre-UI job," was the longest job during the twelve months prior to claiming Unemployment Compensation.

separately for school workers and other SUA recipients. Chapter VI includes a description of the SUA population if those school workers who were recalled to their pre-UI jobs and were still working there in March 1976 had been excluded from the SUA program in 1975--a simulation of the "reasonable assurance" provision.

1. Demographic Characteristics

Over 70 percent of SUA recipients were women, of whom 71 percent were married and living with their husbands. Only 15 percent of SUA recipients were married men. The average age of the SUA recipients was 40 years; both SUA men and women were older than their counterparts among job losers generally.

The educational levels of SUA recipients are reflected mainly by their occupations--which ranged from teaching to service work. Higher proportions of both SUA sex groups had graduated from college than is common among unemployed people generally. On the other hand, a higher proportion of all males had low levels of education--almost 14 percent of males had not completed elementary school. SUA recipients were older than job losers generally, and a higher proportion of them were black or of another minority race--two factors associated with their relatively lower educational levels. Table II.14 reports these data on SUA demographic characteristics. Further details about SUA recipients are presented in Appendix 6.

2. Employment and Unemployment Characteristics

Tables II.15 and II.16 summarize the employment characteristics of SUA recipients before they started to collect SUA, show reasons for loss of jobs and summarize information about their subsequent spells of

TABLE II.14
DEMOGRAPHIC CHARACTERISTICS OF SUA RECIPIENTS AND ALL JOB LOSERS

Demographic Characteristics	SUA Recipients			All Job Losers		
	Male	Female	Both Sexes	Male	Female	Both Sexes
Age						
Under 25	31.1%	12.2%	17.6%	14.8%	30.1%	13.4%
25-34	27.2	21.1	22.9	26.0	23.8	25.3
35-44	12.5	26.3	20.4	14.6	15.9	15.0
45-54	12.1	25.5	21.7	14.0	18.6	15.4
55-64	10.3	14.8	13.5	8.9	9.8	9.2
65 and Older	6.8	3.7	3.9	1.6	2.0	1.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Age	36.1	41.3	39.8	33.7	35.7	34.3
Race						
White	80.8%	80.4%	80.5%	82.2%	82.8%	82.4%
Black and Other	19.3	19.6	19.4	17.8	17.2	17.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Education						
Some Elementary School	13.9%	6.8%	9.6%	11.0%	6.8%	9.7%
Completed Elementary School	6.5	6.2	6.3	8.9	7.7	8.5
Some High School	16.4	18.1	17.6	24.2	25.1	24.4
High School Graduate	28.7	37.2	34.8	40.9	48.2	43.2
Some College	15.6	12.7	13.5	11.7	9.4	11.0
College Graduate	18.9	19.1	19.0	3.4	2.8	3.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Years of School Completed	11.7	12.1	12.0	10.7	10.9	10.8
Family Type						
Head of Household						
Husband-Wife Families						
Respondent was Husband	54.1%	n.a.	15.3%	55.0%	n.a.	38.2%
Respondent was Wife	n.a.	71.3%	51.2	n.a.	56.4%	17.2
Others Living with Family	3.7	9.9	8.1	2.8	11.5	5.4
Unrelated Individuals	14.8	9.4	10.9	8.8	8.1	8.6
Not Head of Household	27.4	9.4	14.5	33.6	24.0	30.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	1,107	2,816	3,924	3,000	1,300	4,300

Source: SUA data are weighted observations from the FSB/SUA Survey. See Appendix 1 for details about the sample and weighting procedures. Data for job losers were obtained from special tabulations from the public use file of the Current Population Survey, March 1975.

n.a. = not applicable

being out of work. Since so many of them were women who worked in schools, data are presented separately for school workers and non-school workers, and, within each group, separately by sex.

All groups of SUA recipients had substantial employment experience. Most started to work well over 15 years prior to receipt of SUA and had worked during at least three-fourths of the years since then. During the three-year period immediately preceding their SUA claim, school workers worked for an average of about 24 months. Non-school employees worked for slightly fewer months, but even the group who had worked the least--non-school females--had worked an average of 19 months.

In their pre-UI jobs, school workers worked fewer hours than most workers and earned less money. Women school workers worked an average of 31 hours per week for \$114 gross weekly earnings. About half of the non-school SUA recipients were men, most of whom were farm workers or provided personal services. Their average gross earnings were \$153 per week, and they worked 41 hours per week on average--longer hours and for lower earnings than most workers in the country.

Few SUA recipients belonged to a union, but union membership was especially low among school workers. Compared with 35 percent of FSB recipients who belonged to a union, only 18 percent of SUA school workers and SUA women in other industries belonged to a union. Almost one-fourth of SUA men in non-school jobs were members of a union.

The most common reason for SUA recipients' loss of pre-UI jobs was seasonal layoff--80 percent of the female and 58 percent of the male school workers cited this reason. Among non-school workers, seasonal layoffs affected almost 40 percent. The average length of time SUA

TABLE II.15

PRE-UI EMPLOYMENT CHARACTERISTICS OF SUA SCHOOL WORKERS AND OF OTHER SUA RECIPIENTS

Employment Characteristics	SUA School Workers			Other SUA Recipients			All SUA Recipients		
	Male	Female	Both Sexes	Male	Female	Both Sexes	Male	Female	Both Sexes
Mean Number of Years Since First Regular Job	20.3	20.1	20.1	16.9	16.2	16.6	17.6	18.9	18.6
Mean Percent of Years Worked Since Then	92.2	73.3	75.4	82.4	76.9	79.7	64.6	74.5	77.3
Mean Number of Months Worked in 3 Years Prior to Claim for Unemployment Compensation	24.9	23.5	23.6	21.8	18.5	20.2	22.5	21.9	22.1
Mean number of Months Between Start and End Date of Pre-UI Job	66.8	74.0	73.1	35.0	36.8	35.9	41.9	62.3	56.5
Mean Gross Weekly Earnings in Pre-UI Job	\$138	\$114	\$116	\$153	\$106	\$129	\$150	\$111	\$122
Mean Hours Worked per Week in Pre-UI Job	34.8	31.2	31.5	41.1	36.3	38.7	39.8	32.8	34.7
Percent Belonging to a Labor Union in Pre-UI Job	18.2	18.2	18.2	23.6	18.0	20.7	22.4	18.1	19.3
Mean Number of Months in Union	39.7	51.8	50.4	53.9	45.5	51.0	51.4	49.8	50.7
Percent of Union Members with (when Pre-UI Job Ended)									
SUB ^{a/}	2.0	1.0	0.9	1.0	2.2	1.5	0.9	1.4	1.2
Guaranteed Annual Income ^{a/}	0.0	0.7	0.6	0.7	0.0	0.4	0.5	0.4	0.5
Weighted Sample Size	211	1,886	2,142	851	852	1,730	1,090	2,782	3,980

^{a/} SUB (Supplementary Unemployment Benefits) are benefits paid to laid-off workers by employers through union-administered funds. In some cases, unions make contributions to funds. Benefits are paid weekly until workers are reemployed, or until the funds are exhausted. Guaranteed Annual Income is similarly funded and managed. Benefits under this program are related to seniority and wage level.

women school workers were out of work was 17 weeks, mostly during the summer. Non-school workers were out of work for a longer time, 30 weeks on average. School workers collected Unemployment Compensation for an average of 14 weeks, non-school workers for 23 weeks.

SUA recipients' low earnings qualified them for Unemployment Compensation benefits which were lower than the average for all insured unemployed. For all women SUA recipients, the average weekly benefit amount was \$4¹/₂; for men it was \$62. School workers' shorter benefit durations meant that their share of total SUA benefits was smaller (41 percent) than the percentage they formed of all recipients (55 percent).

Women school workers received SUA for almost the entire period they were out of work--very few of them (5 percent) exhausted their benefits. Although in comparison with SUA school workers, other SUA recipients had a higher exhaustion rate (25 percent), their rate was much lower than the 36 percent of FSB recipients.

The lower benefit exhaustion rate of school workers in the SUA population was due to their high rate of recall to their old jobs. Table II.17 shows data on the labor force status of SUA recipients in March 1976. Eighty-four percent of SUA female school workers had been recalled to their old jobs and 78 percent went back. The reemployment rate was lower for male school workers; a smaller proportion of them were recalled and fewer went back to their pre-UI jobs. Even so, 73 percent were reemployed when we interviewed them. Less than half of the non-school workers were reemployed then, a low percentage compared with SUA school workers, but a higher proportion than that of FSB

TABLE 11.16

REASON FOR LOSS OF PRE-UI JOB AND UNEMPLOYMENT EXPERIENCE OF SUA SCHOOL WORKERS AND OTHER SUA RECIPIENTS

Unemployment Experience	SUA School Workers			Other SUA Recipients			All SUA Recipients		
	Male	Female	Both Sexes	Male	Female	Both Sexes	Male	Female	Both Sexes
Reason Pre-UI Job Ended									
Seasonal Layoff	58.2%	80.0%	77.6%	36.3%	40.0%	38.2%	41.1%	67.4%	60.0%
General Decline in Business	14.0	6.9	7.7	22.7	24.1	25.9	24.7	12.3	15.8
Other Reasons	27.8	13.1	14.5	36.0	35.9	35.9	34.2	20.3	24.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Number of Weeks Not Working	22.5	16.6	17.3	29.4	29.7	29.6	27.9	20.8	22.8
Mean Weekly Unemployment Compensation	\$63	\$49	\$51	\$62	\$49	\$55	\$62	\$49	\$53
Mean Number of Weeks Collecting Unemployment Compensation	16.5	13.2	13.6	23.0	22.3	22.6	21.6	16.1	17.7
Mean Number of Weeks Entitled to Collect Full Amount of Unemployment Compensation	35.8	34.6	34.7	32.9	30.9	31.9	33.5	33.4	33.4
Percent Exhausting Benefits by March 1976	12.3	4.7	5.6	23.8	26.2	25.0	21.4	11.5	14.3
Weighted Sample Size	211	1,713	1,925	748	807	1,558	960	2,522	3,481

TABLE II.17

LABOR FORCE STATUS OF SUA SCHOOL WORKERS AND OTHER SUA RECIPIENTS, MARCH 1976

Labor Force Status	SUA School Workers			Other SUA Recipients			All SUA Recipients		
	Male	Female	Both Sexes	Male	Female	Both Sexes	Male	Female	Both Sexes
Percent Called Back to Pre-UI Job, March 1976	59.9	84.2	81.5	33.0	40.5	36.8	38.8	70.4	61.5
Percent Reemployed in Pre-UI Job, March 1976	56.3	78.2	75.8	17.4	27.5	22.5	25.8	62.2	51.9
Labor Force Status, March 1976									
Employed	72.5%	83.7%	82.6%	47.2%	49.2%	48.2%	52.8%	72.8%	67.2%
Unemployed	20.4	9.4	10.6	44.2	34.3	39.3	39.0	17.2	23.3
Not in Labor Force	7.1	6.9	6.9	8.5	16.4	12.5	8.2	9.9	9.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	235	1,919	2,154	865	883	1,749	1,108	2,817	3,925
Employed SUA Recipients									
Percent in Same Industry as Pre-UI Industry	81.4	94.9	93.5	51.5	67.8	60.0	60.6	89.3	83.2
Percent in Same Occupation as Pre-UI Occupation	81.9	92.8	91.6	55.6	77.6	67.0	65.1	89.6	84.1
Mean Weekly Earnings in Current Job	\$131	\$115	\$117	\$133	\$96	\$114	\$132	\$111	\$116
Mean Weekly Earnings in Pre-UI Job	\$136	\$113	\$115	\$147	\$99	\$122	\$144	\$110	\$117
Mean Hours Worked per Week in Current Job	33.6	31.3	31.5	37.6	32.7	35.0	36.3	31.6	32.6
Mean Hours Worked per Week in Pre-UI Job	34.6	31.2	31.5	41.0	33.5	37.1	39.1	31.7	33.3
Weighted Sample Size	153	1,330	1,483	328	363	692	482	1,695	2,177

recipients. Perhaps as a result of their higher recall rate, female SUA school workers were the only reemployed SUA recipients who had higher average earnings in their current jobs than in their pre-UI jobs.

Compared with other groups among the insured unemployed, SUA recipients' labor force withdrawal rate was low. Only seven percent of SUA school workers, nine percent of male non-school workers, and 16 percent of female non-school workers had withdrawn from the labor force by March 1976. These rates are not so surprising in view of SUA recipients' relatively shorter spells out of work and their high rate of reemployment.

3. Household Economic Characteristics

The households of SUA school workers had higher incomes than did the households of FSB recipients. Their median incomes in 1973 were \$10,480 and \$9,090, respectively. This was the result of the higher incidence among SUA school workers of married women with employed husbands. Other family types among SUA school workers had incomes in 1973 and 1974 which were similar to those of their FSB counterparts. They were all, on average, poorer than families in the U.S. as a whole. SUA non-school workers were the poorest group of Unemployment Compensation recipients; in 1973, their median household income was \$7,680. Tables II.18 and II.19 show household income data for SUA school workers and non-school workers respectively.

Because of their briefer periods out of work, fewer SUA recipients' households were poor in 1975 compared with those of FSB recipients. Twenty percent of SUA school workers' households had incomes in 1975, excluding Unemployment Compensation, below the poverty standard. Almost

TABLE II.18
HOUSEHOLD INCOME OF SUA SCHOOL WORKERS

Income	Husband-Wife Families		Head of Household		Unrelated Individuals		Not Head of Household		All SUA School Workers
	Male	Female	Male	Female	Male	Female	Male	Female	
	Respondent	Respondent	Respondent	Respondent	Respondent	Respondent	Respondent	Respondent	
Household Income, 1973									
Mean	\$10,420	\$12,080	\$11,790	\$ 7,880	\$ 4,430	\$ 5,940	\$ 9,080	\$ 8,720	\$10,800
Median	9,350	11,960	11,300	6,390	3,890	5,080	6,230	8,300	10,480
Household Income, 1974									
Mean	\$11,320	\$13,580	\$10,760	\$ 7,830	\$ 5,160	\$ 7,180	\$ 9,990	\$ 9,200	\$11,910
Median	10,780	13,140	8,820	6,330	4,500	5,290	7,620	8,530	11,360
Mean Household Income, 1975, by Source									
Respondent Earnings	\$ 4,480	\$ 2,490	\$ 3,230	\$ 4,160	\$ 3,660	\$ 4,020	\$ 3,860	\$ 4,170	\$ 3,270
Spouse Earnings	3,830	9,810	0	930	0	580	130	920	6,810
Earnings of Others	850	1,000	2,240	1,050	0	120	6,770	5,100	1,290
Social Security	730	270	290	710	170	300	260	420	350
Pensions	360	180	80	100	260	290	10	250	190
Unemployment Compensation	860	590	1,420	540	780	590	970	690	630
Other Transfer Income	140	130	60	390	10	40	190	280	160
Other Income	110	130	60	840	10	220	20	100	190
Total, without Respondent's Unemployment Compensation	\$10,530	\$14,060	\$ 5,960	\$ 8,180	\$ 4,110	\$ 5,570	\$11,230	\$11,240	\$12,290
Total, with Respondent's Unemployment Compensation	\$11,360	\$14,600	\$ 7,380	\$ 8,710	\$ 4,860	\$ 6,160	\$12,200	\$11,920	\$12,880
Ratio of Income, without Unemployment Compensation, to Poverty Standard, 1975 ^{a/}									
0-1.0	18.3%	15.5%	49.8%	34.8%	41.9%	14.2%	32.8%	27.7%	19.8%
1.0-1.5	15.2	7.3	7.7	23.3	17.5	33.5	16.9	11.6	11.5
1.5-2.0	12.1	10.9	17.7	13.9	9.4	14.8	11.4	13.7	12.7
2.0-3.0	24.9	24.5	9.0	14.0	27.0	18.2	9.2	18.4	22.5
3.0 and Over	29.5	40.8	16.0	14.0	4.2	19.3	29.6	28.6	34.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percent of Households with Income, including Unemployment Compensation, below Poverty Standard, 1975	14.6	14.2	38.5	29.3	24.9	10.6	32.8	21.9	16.6
Mean Weekly Income at Time of First SUA Payment									
Without SUA	\$ 113	\$ 198	\$ 51	\$ 73	\$ 10	\$ 27	\$ 148	\$ 140	\$ 162
With SUA	180	246	114	128	69	80	207	197	213
Weighted Sample Size	138	1,278	12	178	40	132	35	123	1,975

^{a/} If a ratio, calculated to several decimal points, exactly equaled the end point of a specified range, that observation was assigned to the lower category.

TABLE II.19

HOUSEHOLD INCOME OF NON-SCHOOL WORKER SIA RECIPIENTS

Income	Husband-Wife Families		Head of Household Other Families		Unrelated Individuals		Not Head of Household		All SIA Non-School Workers
	Male Respondent	Female Respondent	Male Respondent	Female Respondent	Male Respondent	Female Respondent	Male Respondent	Female Respondent	
Household Income, 1973									
Mean	\$ 8,450	\$10,460	\$ 9,270	\$ 6,750	\$ 5,500	\$ 6,180	\$ 9,430	\$ 7,990	\$ 8,760
Median	7,680	9,900	8,980	5,470	4,090	4,830	7,850	6,280	7,680
Household Income, 1974									
Mean	\$ 9,680	\$11,900	\$ 7,440	\$ 6,660	\$ 5,560	\$ 5,600	\$10,110	\$ 8,070	\$ 9,560
Median	8,650	10,980	6,000	5,220	4,440	4,420	8,480	5,850	8,180
Mean Household Income, 1975, by Source									
Respondent Earnings	\$ 4,220	\$ 1,890	\$ 2,690	\$ 2,390	\$ 2,700	\$ 2,810	\$ 2,750	\$ 2,250	\$ 3,210
Spouse Earnings	2,470	8,040	20	1,380	80	130	80	680	1,200
Earnings of Others	720	600	6,080	1,480	150	140	7,480	6,820	2,180
Social Security	250	250	440	320	120	220	420	630	300
Pensions	290	210	50	80	50	100	220	60	190
Unemployment Compensation	1,210	1,030	1,240	990	1,080	980	1,110	790	1,080
Other Transfer Income	800	450	270	510	220	130	430	280	490
Other Income	110	220	50	360	40	120	150	270	170
Total, without Respondent's Unemployment Compensation	\$ 8,890	\$11,830	\$ 9,620	\$ 6,530	\$ 3,360	\$ 3,650	\$11,520	\$10,990	\$ 9,800
Total, with Respondent's Unemployment Compensation	\$10,050	\$12,690	\$10,840	\$ 7,510	\$ 4,430	\$ 4,630	\$12,630	\$11,780	\$10,810
Ratio of Income, without Unemployment Compensation, to Poverty Standard, 1975									
0-1.0 ^{a/}	39.2%	18.5%	38.5%	43.7%	56.7%	46.9%	36.5%	39.8%	32.0%
1.0-1.5	18.9	13.4	8.1	23.8	17.0	23.2	9.3	15.8	15.8
1.5-2.0	14.6	12.2	12.8	8.9	7.8	7.0	10.2	8.2	11.4
2.0-3.0	20.4	31.3	16.5	17.7	10.8	17.4	17.3	12.3	21.7
3.0 and Over	16.9	24.6	24.1	5.9	7.7	5.5	26.7	24.0	19.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percent of Households with Income, including Unemploy- ment Compensation, below Poverty Standard, 1975	23.6	14.5	23.9	35.7	36.7	36.8	32.3	39.8	25.7
Mean Weekly Income at Time of First SIA Payment									
Without SIA	\$ 75	\$ 178	\$ 138	\$ 74	\$ 13	\$ 16	\$ 167	\$ 166	\$ 120
With SIA	141	226	204	125	69	68	226	210	175
Weighted Sample Size	439	509	25	88	113	114	244	109	1,657

^{a/} If a ratio, calculated to several decimal points, exactly equaled the end point of a specified range, that observation was assigned to the lower category.

one-third of SUA non-school workers were poor. As with FSB households, the incomes of SUA households varied substantially. Fifty-seven percent of SUA school workers' households and 41 percent of non-school workers' households had incomes, without Unemployment Compensation, which were more than twice the poverty standard; over one-third of all school workers' households and 40 percent of the households of married women school workers living with their husbands had incomes greater than three times the poverty level.

Because of their low benefit levels and short periods out of work, SUA recipients' Unemployment Compensation played a much weaker role in reducing their incidence of poverty than it had among FSB households. Seventeen percent of the households of SUA school workers were poor in 1975 after receiving SUA, while Unemployment Compensation reduced the percentage of non-school workers' households below the poverty standard from 32 to 26.

CHAPTER III

THE NEEDS OF FSB AND SUA RECIPIENTS FOR TRAINING AND EMPLOYMENT SERVICES

Subsection (2) of Public Law 94-45 called for information on "the needs of the long-term unemployed for job counseling, testing, referral and placement services, skill and apprenticeship training, career related education programs, and public service employment opportunities." This chapter investigates the needs of FSB and SUA recipients for such services. The following questions are relevant. First, what is the level of need for the recipient population? Second, are the skills and employment characteristics of the FSB population somewhat different from those of other UI recipients? If so, their training and employment needs would be different and more effort might be directed toward diverting such individuals into training programs before they go onto FSB. In order to answer the above questions this study identifies the training and employment needs of FSB (and SUA) recipients at the point they go on the program, and in the case of FSB recipients, compares their needs with those of EB recipients, who had been unemployed for a shorter period of time on average.

Section A gives a summary of the chapter results. Section B provides background material on the skills and pre-UI wage rates of the program recipients. (Basic demographic characteristics have already been reported in Chapter II.) Section C discusses the methods used to assess needs and the detailed results for FSB recipients. Section D does the same for recipients of SUA. The final section explores the willingness to use and the actual use of training and employment services during the period following termination of the pre-UI job.^{1/}

^{1/} Appendix 7 contains the technical details of the analysis of needs described in this chapter, and additional tables on skill characteristics, needs, and service usage.

A. DEFINITIONS AND SUMMARY OF RESULTS

For the purposes of this analysis we have grouped needs into (1) testing and counseling, (2) education and training, (3) referral and placement, and (4) public employment. FSB recipients are divided into those who had been continuously out of work for less than 27 weeks when they went on FSB (34 percent) and those who had been out of work for 27 weeks or more (66 percent). SUA recipients are divided into school workers and non-school workers, because of the high incidence of school employees reported in Chapter II.

Some cautionary points need to be made concerning the interpretation of this analysis. We attempted to explore the area of training and employment-related needs by incorporating a number of selected questions into the survey questionnaire that was administered to the sample of 1975 FSB and SUA recipients. While it was possible to collect information from FSB and SUA recipients about their needs for training and employment-related services, it should be understood that there is no generally accepted survey procedure that provides precise information of the type called for in Subsection (2), largely because there is no general agreement on what "needs" are. The results reported here approximate an "initial determination" of needs, obtained by processing responses to a few key survey questions of individuals regarding their own perceptions of their skills, suitable occupations and availability of jobs. While these questions were based on some of the questions which are asked by Employment Service Counselors, our results do not represent an in-depth probe of each individual's particular relationship to the labor market. Hence, the process is intrinsically less concrete than the full assessment which would be made by a trained Employment Service Counselor.

Also, it should be recognized that this is not an analysis of employability per se. The fact that some individuals "need" training does not mean that they cannot, or do not want to work. All the individuals interviewed for this study had worked, otherwise they would not have qualified for Unemployment Compensation. And many of them were reemployed when we interviewed them in March 1976.

Recipients were identified as needing testing and counseling (a) if they had a skill or occupation which they found satisfactory, but felt there would be too few such jobs available,^{1/} or (b) if they said their skill or occupation was not satisfactory. All individuals initially assigned to testing and counseling were also assigned to one of the other categories.^{2/}

Recipients were identified as needing education and training (a) if they indicated they were not qualified for their preferred occupation, or (b) if they were initially assigned to testing and counseling and their pre-UI wage rate was at or below the minimum wage.

Recipients were identified as needing referral and placement (a) if they were qualified for the job which they said they would find

^{1/} Various tests are often given by the Employment Service as part of the referral and placement process. Here, however, testing and counseling refer to that component of the Employment Service function which is concerned with helping individuals identify a suitable occupation and determining if they are immediately qualified for that occupation.

^{2/} It is possible that individuals might need various combinations of services simultaneously or in sequential order. However, assignment to, say, education and training and then to referral and placement seemed to inflate the results unnecessarily since it can be assumed that all individuals in training programs would need subsequent referral and placement. Thus, the assignment of individuals needing testing and counseling to subsequent services is the only incidence of duplicate assignment.

satisfactory, and for which they thought there would be demand for in the future, and (b) if the unemployment rate for their chosen occupation in their labor market area (hereafter referred to as their area/occupation unemployment rate) was below a specified level. Two such levels were selected for this analysis. The first was a rate of 5 percent; the second was 8.5 percent--the average unemployment rate in 1975.

Public employment was reserved as an option for those who would have been assigned to referral and placement had the area/unemployment rate for their occupation been lower than the cutoff levels used in the analysis. Also assigned to public employment were those initially assigned to testing and counseling who would then have been assigned to referral and placement except that their area/occupation unemployment rate was higher than the cutoff level.

In an additional category, the job ready, are those recipients who initially were assigned to referral and placement or public employment.

Table III.1 gives an overview of the results. More than 40 percent of the recipients of both programs (43 percent for FSB and 42 percent for SUA) were found to need some form of testing and counseling. Approximately two out of every five recipients of both programs were assigned to education and training. At the 5 percent cutoff for their area/occupation unemployment rate, only 8 percent of FSB recipients and 16 percent of SUA recipients were assigned to referral and placement. At the higher cutoff rate of 8.5 percent, not surprisingly, these numbers increased--to 24 and 49 percent, respectively. Using the 5 percent unemployment rate cutoff, 53 percent of FSB recipients were assigned to public employment, compared with 45 percent

TABLE III.1

PERCENTAGES OF FSB AND SUA RECIPIENTS WITH TRAINING AND EMPLOYMENT NEEDS: A SUMMARY

Training and Employment Needs	FSB Recipients			SUA Recipients		
	Out of Work 27 Weeks or More	Out of Work Less Than 27 Weeks	All FSB Recipients	School Workers	Non-School Workers	All SUA Recipients
Testing and Counseling	43.3%	43.6%	43.5%	43.4%	40.5%	42.1%
Area/Occupation Unemployment Rate at 5 percent						
Education and Training	36.8	42.9	39.0	37.5	40.2	38.7
Referral and Placement	8.7	6.7	8.3	13.6	18.9	15.9
Public Employment	54.4	50.4	52.8	49.0	41.0	45.2
Job Ready	40.6	36.6	39.5	36.0	37.9	36.8
Area/Occupation Unemployment Rate at 8.5 percent						
Education and Training	33.7	40.1	35.9	26.1	34.9	30.0
Referral and Placement	25.8	20.2	24.1	58.3	38.2	49.3
Public Employment	40.6	39.7	40.0	15.7	26.9	20.7
Job Ready	41.9	38.2	40.9	42.3	41.7	41.9
Weighted Sample Size	4,350	1,920	6,457	2,147	1,745	3,892

for SUA. At the 8.5 percent unemployment rate cutoff, these numbers fell to 40 percent and 21 percent, respectively. Approximately the same proportion of recipients in both programs were considered job ready--41 percent of the FSB recipients, and 42 percent of those receiving SUA using the 8.5 percent area/occupation unemployment rate.

These results indicate a seemingly large number of individuals assigned to testing and counseling. However, about half of them would have been classified as job ready if they had thought there would be enough jobs available in their occupation. A substantial public employment program might have been a plausible alternative for them.

While we found extensive training and employment needs among FSB (and SUA) recipients, their skills and educational characteristics and, hence, needs were not appreciably different from those of the EB population. This suggests that the longer period of unemployment of FSB recipients compared with EB recipients was probably not the result of lower skill levels.

If, instead of using the criteria outlined above, "need" is simply taken as what people said they would do if offered a service, the picture changes somewhat. About three-fourths of those FSB recipients who were still unemployed at the date of the interview indicated they would not take a public employment job at the minimum wage, although this fraction is reduced to one-fourth when the job is at \$4.00 per hour. About one in five recipients would not take the testing and counseling to which they were assigned. Finally, 22 percent of FSB and 15 percent of SUA recipients who were assigned to training and education indicated they would not take this service.

B. SKILLS AND OTHER EMPLOYMENT CHARACTERISTICS

This section describes several socioeconomic characteristics of FSB recipients, EB recipients (for comparison with those on FSB), and SUA recipients which are relevant for identifying service needs. Tables III.2 through III.4 show the skill status, wage rates, and duration of spell out of work when individuals first received FSB, EB, and SUA benefits, respectively. (The distributions of education level, occupation, and industry have been shown in Chapter II.)

The first row of each table includes individuals with a two-year associate degree or four-year college degree; the second row includes individuals who indicated they had a license, certificate, or journeyman's card which qualified them for a particular type of work.^{1/} "Other vocational training," the third row, refers to skills individuals have learned which might help them get a particular type of work but for which they have no formal accreditation. Special on-the-job training or skills learned in the military are examples of such training. "No training" includes all those not in any of the first three categories,^{2/} broken down by whether or not individuals completed high school.

The distribution of skills is similar for all three programs. The hypothesis that FSB recipients will be less skilled than EB recipients (who, on average, became reemployed more quickly than those on FSB) is not supported by the data. As expected, the percentage of workers 55

^{1/} Tables 7.1 through 7.3 in Appendix 7 show the distributions of FSB, EB and SUA recipients, respectively, by occupational skills, age, and sex.

^{2/} Individuals could be included in two or more of the first three categories. Hence the sum of the first four rows adds to more than 100 percent.

TABLE III.2

THE EDUCATIONAL ATTAINMENTS, SKILLS, WAGE RATES AND LENGTH OF SPELL OUT OF WORK OF FSB RECIPIENTS, BY AGE AND SEX

	Male							Female							All FSB Recipients
	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total Male	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total Female	
Percentages with															
Degrees	6.6	12.9	10.7	11.0	9.7	10.1	10.1	8.4	12.8	4.1	4.3	5.5	4.5	7.3	8.8
Formal Skill Licenses	18.3	31.3	29.2	30.2	28.6	24.6	26.7	11.8	17.0	11.2	10.1	6.9	5.8	11.6	18.8
Other Vocational Training	58.5	57.2	60.5	56.6	54.6	52.2	57.1	57.9	54.1	55.2	48.2	49.6	46.7	52.7	55.0
No Training	32.1	25.6	23.6	28.2	28.1	29.6	28.1	34.0	35.8	18.3	45.3	47.7	47.9	40.2	33.9
FSB Recipients with No Training															
High School Graduate	68.3%	68.0%	77.2%	76.6%	81.0%	81.6%	73.8%	66.9%	66.1%	79.2%	75.0%	79.3%	72.7%	72.5%	73.2%
Non-High School Graduate	31.7	32.0	22.8	23.4	17.0	18.4	26.2	33.1	33.9	20.8	25.0	20.7	27.3	27.5	26.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Adjusted Pre-UI Wage Per Hour															
Less than \$2.30	11.2%	4.8%	4.9%	2.2%	6.3%	6.2%	6.3%	30.1%	17.2%	16.2%	17.5%	16.5%	18.2%	19.2%	12.4%
\$2.31-\$4.00	44.6	30.1	26.0	29.4	26.2	26.0	32.2	55.5	56.5	56.5	60.6	62.3	54.0	57.7	44.3
More than \$4.00	44.2	65.2	69.7	68.4	67.5	67.8	61.5	14.4	26.3	27.3	21.9	21.2	27.8	23.1	43.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Wage Per Hour	\$4.06	\$5.07	\$5.67	\$5.47	\$5.67	\$5.72	\$5.09	\$2.95	\$3.55	\$3.42	\$3.34	\$3.26	\$3.73	\$3.36	\$4.31
Median Wage Per Hour	\$3.79	\$4.66	\$5.17	\$4.88	\$5.05	\$5.14	\$4.58	\$2.70	\$3.20	\$3.22	\$3.08	\$3.06	\$3.08	\$3.07	\$3.69
Length of Spell Out of Work at First FSB Receipt															
27 Weeks or More	60.2%	63.3%	70.5%	65.5%	74.0%	73.5%	66.2%	64.9%	69.0%	65.3%	72.3%	74.4%	78.1%	69.7%	67.8%
15-26 Weeks	17.4	14.8	10.0	12.3	9.3	13.6	13.6	18.7	12.9	11.7	10.9	8.2	5.4	12.1	12.9
< Less than 15 Weeks	22.4	21.9	19.5	22.2	16.7	12.9	20.2	16.4	18.1	23.0	16.8	17.4	16.5	18.2	19.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	903	885	470	507	496	320	3,585	547	841	578	608	427	245	3,246	6,831

TABLE III.3

THE EDUCATIONAL ATTAINMENTS, SKILLS, WAGE RATES AND LENGTH OF SPELL OUT OF WORK OF EB RECIPIENTS, BY AGE AND SEX

	Male							Female							All EB Recipients
	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total Male	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total Female	
Percentages with Degrees	4.6	13.9	2.1	2.5	2.0	0.0	6.3	3.2	6.1	2.9	2.9	4.5	2.1	4.0	5.3
Formal Skill Licenses	16.0	28.7	32.9	26.0	23.3	20.6	24.3	8.9	15.0	9.0	4.0	12.1	24.0	10.3	18.2
Other Vocational Training	53.6	56.6	48.0	59.9	54.1	45.0	54.3	58.1	48.4	37.0	45.5	45.2	28.5	46.8	51.0
No Training	38.3	24.7	33.4	31.6	32.4	38.1	32.1	39.2	40.6	56.5	52.3	51.0	47.5	47.0	38.6
EB Recipients with No Training															
High School Graduate	36.2%	31.2%	23.1%	19.9%	8.6%	0.0%	26.9%	29.9%	26.9%	26.1%	29.0%	19.0%	3.3%	26.4%	26.7%
Non-High School Graduate	63.8	68.8	76.9	80.1	91.4	100.0	73.1	70.1	73.1	73.9	71.0	81.0	96.7	73.6	73.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Adjusted Pre-UI Wage Per Hour															
Less than \$2.30	11.2%	7.3%	2.4%	6.0%	7.0%	14.9%	7.8%	29.8%	22.8%	25.5%	17.9%	24.1%	12.7%	23.6%	14.7%
\$2.31-\$4.00	48.1	30.4	30.9	30.5	21.0	43.8	35.3	59.6	55.0	55.2	71.3	66.5	68.3	60.7	46.4
More than \$4.00	40.8	62.3	66.7	63.5	72.0	41.3	56.9	10.6	22.2	19.3	10.8	9.4	19.0	15.7	38.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Wage Per Hour	\$3.99	\$5.50	\$5.60	\$5.02	\$6.14	\$4.00	\$5.01	\$3.01	\$3.35	\$3.15	\$3.01	\$3.24	\$3.07	\$3.16	\$4.09
Median Wage Per Hour	\$3.66	\$4.49	\$4.78	\$4.73	\$5.80	\$4.08	\$4.34	\$2.85	\$3.14	\$2.78	\$2.72	\$2.93	\$2.68	\$2.88	\$3.54
Length of Spell Out of Work at First EB Receipt															
27 Weeks or More	48.3%	56.1%	41.5%	43.0%	44.0%	78.9%	49.6%	49.9%	53.2%	53.5%	49.7%	54.7%	8.5%	51.1%	50.2%
15-26 Weeks	19.2	17.9	21.6	18.7	22.7	16.6	19.4	22.8	28.8	18.8	16.3	10.3	30.6	21.3	20.2
Less than 15 Weeks	32.5	26.0	34.9	38.3	33.3	4.5	31.0	27.3	18.0	27.7	34.0	35.0	60.9	27.6	29.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	174	169	81	76	58	16	574	86	128	85	91	49	9	447	1,021

TABLE III.4

THE EDUCATIONAL ATTAINMENTS, SKILLS, WAGE RATES AND LENGTH OF SPELL OUT OF WORK OF SVA RECIPIENTS, BY AGE AND SEX

	Male							Female							All SVA Recipients
	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total Male	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total Female	
Percentages with															
Degrees	10.6	19.3	23.0	15.1	16.1	12.4	21.3	30.1	38.7	21.0	14.4	10.9	25.3	22.8	22.4
Formal Skill Licenses	23.3	37.5	32.3	35.1	36.0	14.5	30.4	25.9	40.5	25.6	20.6	17.2	20.9	26.2	27.4
Other Vocational Training	61.6	58.1	51.2	52.2	52.1	45.6	56.4	53.9	48.6	47.4	42.2	35.0	30.5	44.9	48.2
No Training	26.9	17.1	32.0	29.3	26.5	40.6	26.0	26.0	23.0	34.2	43.7	51.9	52.4	36.4	33.4
SVA Recipients with No Training															
High School Graduate	33.0%	52.0%	30.2%	21.4%	26.0%	16.8%	34.6%	50.1%	54.8%	40.3%	36.0%	28.5%	39.9%	41.7%	39.7%
Non-High School Graduate	67.0	48.0	69.8	78.6	74.0	83.2	65.4	49.9	45.2	59.7	64.0	71.5	60.1	58.3	60.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Adjusted Pre-UI Wage Per Hour															
Less than \$2.30	19.8%	8.0%	16.9%	14.9%	11.0%	23.1%	15.0%	35.5%	23.2%	29.7%	31.1%	31.3%	39.2%	29.9%	25.7%
\$2.31-\$4.00	56.0	47.1	35.4	46.5	52.7	54.2	49.4	44.8	47.7	51.5	53.5	55.2	37.8	50.6	50.3
More than \$4.00	24.2	44.9	47.7	38.6	35.5	22.7	35.6	19.7	29.1	18.8	15.4	13.5	23.0	19.5	24.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Wage Per Hour	\$3.33	\$4.54	\$4.21	\$4.25	\$4.04	\$3.42	\$3.96	\$3.13	\$3.61	\$3.64	\$3.17	\$3.02	\$3.26	\$3.30	\$3.64
Median Wage Per Hour	\$2.99	\$3.79	\$3.91	\$3.31	\$3.35	\$2.69	\$3.35	\$2.71	\$3.11	\$2.76	\$2.74	\$2.67	\$2.74	\$2.80	\$2.93
Length of Spell Out of Work at First SVA Receipt															
27 Weeks or More	3.3%	2.9%	5.6%	3.3%	3.8%	3.3%	3.5%	3.2%	3.2%	1.6%	3.0%	3.1%	8.7%	2.9%	3.1%
15-26 Weeks	5.5	3.5	4.2	6.2	3.2	1.8	4.4	4.9	2.6	3.0	2.2	0.9	4.4	2.7	3.2
Less than 15 Weeks	91.2	93.6	90.2	90.5	93.0	94.9	92.1	91.9	94.2	95.4	94.8	96.0	86.9	94.4	93.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	347	304	112	135	115	75	1,115	345	597	663	719	417	78	2,020	6,915

years and over with skills and/or degrees is generally lower than that of prime-aged workers (aged 25 to 55). The incidence of skills among workers 24 years and younger is also lower than that of prime-aged males (except for those on EB), in part due to the fact that many in this group can still be expected to obtain further training of some kind. Finally, the stock of skills, especially those which are trade related, is lower among women than men.

A major problem in defining an individual's skill level is the diversity of the variables which can be included in the definition. The most useful summary measure of skill level for the purposes of this report is the individual's potential wage rate in a job which fully utilizes his or her skills. While it does not measure such aspects as the satisfaction which a person gets from performing a task, or what effort must be made to complete a job, the wage rate indicates what value society places on a wide range of skills. It is, in this sense, a labor-market skill index. Coupled with hours worked, the wage rate also reveals the individual's earning power.

The wage rate on the pre-UI job, adjusted for the date this job ended, was the single best indicator of the individual's position in the labor market during the period of analysis. The recipient's pre-UI jobs ended over a wide distribution of dates from 1970 to 1975. Since a wage rate of, say, \$2.50 per hour in 1970 is comparable to a higher wage rate in 1975, each wage rate was adjusted by the ratio of the national average hourly wage in the year the pre-UI job ended to the average in 1975. Although an individual may have been underemployed on the pre-UI job (i.e., not earning near his or her highest feasible wage rate) or the

market for his or her skill may have changed rapidly enough to make the pre-UI wage rate obsolete, no alternative measure was available to take these additional factors into account.

The middle rows of Table III.2 through III.4 give the distributions of recipients by their adjusted pre-UI wage and their average wages. About 12 percent of those on FSB, 15 percent of those on EB, and 26 percent of those on SUA had an adjusted wage rate of less than the national minimum wage in 1975 (\$2.30 per hour). It is possible for individuals to have earned as much as the minimum wage in a previous year and have their adjusted rate come out to less than \$2.30. However, the number of those who reported earnings below the minimum wage in the year they lost their pre-UI jobs is also high. The explanation for this is twofold: (1) certain workers were not, in fact, covered by the national minimum wage law or they were illegally receiving less than the minimum; (2) other workers under-reported their wages. Although precautions are taken to avoid this type of survey error, it often occurs because individuals report take-home pay instead of gross wages. The relative influence of these two factors could not be determined.

A second important variable is the length of spell out of work for the individual being assigned a need.^{1/} The Congressional mandate for this study refers not to the needs of the FSB or SUA recipients per se, but to the needs of the long-term unemployed. To accommodate this request, results for FSB recipients are grouped by length of the period of no employment. The long-term "unemployed" will be defined in this chapter

^{1/} Individuals out of work might be unemployed or not in the labor force.

as those who had been continuously out of work for 27 weeks or longer at the date they received their first payment under the program of interest. Tables III.2 through III.4 show the distribution of individuals by those who were out of work less than 15 weeks, from 15 to 26 weeks, and for 27 weeks or longer.^{1/}

One additional employment variable used in the needs assessment is the unemployment rate facing individuals in their occupation and labor-market area (their area/occupation unemployment rate). These rates are not directly available. For this study, therefore, they are assumed to be equal to the national unemployment rate for an occupation, multiplied by the ratio of the overall rate in the appropriate major labor-market area to the national average unemployment rate. Average rates in 1975 formed the basis for these calculations.^{2/} The area/occupation unemployment rates ranged from 3.0 percent for managers and administrators to 15.6 percent for non-farm laborers. The major labor-market area rates ranged from a low of 5.6 percent in Dallas-Ft. Worth, Texas, to a high of 15.3 percent in Flint, Michigan. The range for the constructed area/occupation unemployment rate went from 2.0 percent for managers and administrators in Dallas-Ft. Worth, to 28.1 percent for non-farm laborers in Flint.

^{1/} Another commonly used definition of long-term unemployed is being unemployed 15 weeks or more. Given that the typical FSB recipient was out of work for more than 27 weeks, we decided to use the more stringent definition in presenting the results.

^{2/} The details of the construction are contained in Appendix 7.

C. THE NEEDS ASSESSMENT FOR FSB RECIPIENTS

Section 104-2 of Public Law 94-45 lists the following categories of need: job counseling, testing, referral and placement services, skill and apprenticeship training, career-related education programs, and public service employment opportunities. For the purposes of this report, these are collapsed into four categories: (1) counseling and testing; (2) referral and placement; (3) training and education; and (4) public employment.

(1) Counseling and testing are placed together because they are highly complementary services. Individuals who need testing to determine if they are qualified for a particular job will usually need some counseling concerning their level of qualification. For example, a counselor could advise them of the jobs they might be able to obtain or recommend further training. Individuals who are uncertain about their job preferences would, as part of their counseling, receive an aptitude and/or preference test.

(2) Referral and placement are parts of the same function and are also complementary to (and often follow) both testing and counseling and education and training. Some would argue that in many occupations referral and placement is not an effective service in a labor-market environment like the one prevailing in 1975. Others would argue that agencies such as the Employment Service should provide referral and placement services to everyone and that their level of employment services should be independent of employment demand. (The distribution of services and their emphasis might change, however.) A somewhat intermediate approach is taken here. The results suggest that, for the bulk of recipients, successful placement in prevailing labor markets would be quite difficult.

(3) Skill and apprenticeship training and career-related educational programs are also highly complementary or even overlapping. Education may denote a more general level of training than a skill program, but many apprenticeships contain elements of both general education and on-the-job training. Hence, these two groups are combined here, and one of the criteria for assignment to this category of need is lack of qualifications for a suitable job.

(4) Public employment is a special type of service, the need for which is a matter of government preference. Public employment programs are enacted as a macroeconomic tool for increasing aggregate demand and to provide an alternative to unemployment compensation. In addition to depending on the level of unemployment, whether or not individuals need public employment jobs (as opposed to training or referral and placement) depends upon one's acceptance of public employment as a legitimate means of fighting unemployment. In this study, public employment is treated as a residual service to be offered only after it is determined that an individual does not need testing and counseling or education and training, and cannot reasonably be expected to benefit from referral and placement.

"No Services Needed" is an additional category used for those who were satisfactorily employed at the date of the interview. This category does not, of course, appear in the statistics showing categories of recipient need based on their status as of the date they first received FSB or SUA, because all recipients were either unemployed or only partially employed (by definition) when they first started receiving benefits.

Several approaches were considered for establishing the various needs of the recipient populations. The primary mechanism adopted assigned individuals to the various services in the same way that they might be assigned by an Employment Service counselor. It should be emphasized, however, that the information provided in this type of survey cannot substitute for what can be obtained by a trained counselor in a personal interview. For this study, individuals had to be assigned according to their response to questions which simulate only the key indicators of need used by the Employment Service. In order to compensate partially for this shortcoming, the final assignment also depends upon certain additional labor market and employment information, including (a) the pre-UI wage, (b) whether or not the recipient had a high school education or its equivalent, and (c) the area/occupation unemployment rate as described in the previous section.^{1/}

One of the most important conceptual problems in the analysis was how to reflect the needs of recipients at the start of FSB or SUA, as opposed to at the interview date. It was a straightforward matter to obtain information and assign needs at the date of the interview. However, at the interview date, a substantial number had already found satisfactory employment, and therefore did not need services then. Yet

^{1/} The method adopted relies heavily on the assessment of the individual regarding his or her satisfaction on the job. Another, more restrictive, approach would have assigned fewer people to testing and counseling based on a professional evaluation of the individual's re-employability at his or her pre-UI occupation in times of full employment. Such a method would have resulted in fewer individuals being assigned to testing and counseling. It was rejected for this study as being somewhat insensitive to the individuals' perceptions of their employment needs.

these recipients were by definition not satisfactorily employed at the point they went on FSB or SUA. Indeed, their successful reemployment may have been the result of using one or more of the services. Our final assessment, thus, reconstructs what we feel to have been the most probable need or needs of recipients at first receipt of benefits.

Another problem which had to be solved concerned the interdependency of individual assignments. The method used in this study establishes a hierarchy or priority of employment services and then assigns individuals to the relevant service which comes first in the hierarchy.^{1/} Chart III.1 illustrates the basic hierarchy used to simulate the initial needs of individuals at the date of the interview.^{2/} Those individuals who were not employed or were unsatisfactorily employed were asked a series of questions about an occupation they said they would like to have and for which they thought work was generally available. If there was no such occupation, they were initially assigned to testing and counseling. If they did know such an occupation, they were asked if they were qualified for the occupation. If not, then they were assigned to education and training. If they were qualified, they were assigned to referral and placement. Public employment was not included in this first step.

^{1/} An alternative method, which was considered and rejected, was to judge whether an individual needed a service based on all available information pertaining to that service. For example, a recipient's skill and education level, satisfaction in present occupation, and the availability of jobs in his or her occupation could be used to decide whether or not further education and training were warranted. Assignment to a service would be independent of those factors related to assignment to other services and would have resulted in lower-skilled individuals being assigned to duplicate and competing services such as training and education and public employment.

^{2/} Chart III.1 and subsequent charts give the guidelines for assigning need; the actual process of assignment used a variety of questions from different parts of the survey instrument. Detailed flow charts which document this process are contained in Appendix 7.

CHART III.1

THE NEEDS HIERARCHY FOR INITIAL ASSIGNMENT

AT THE DATE OF THE INTERVIEW

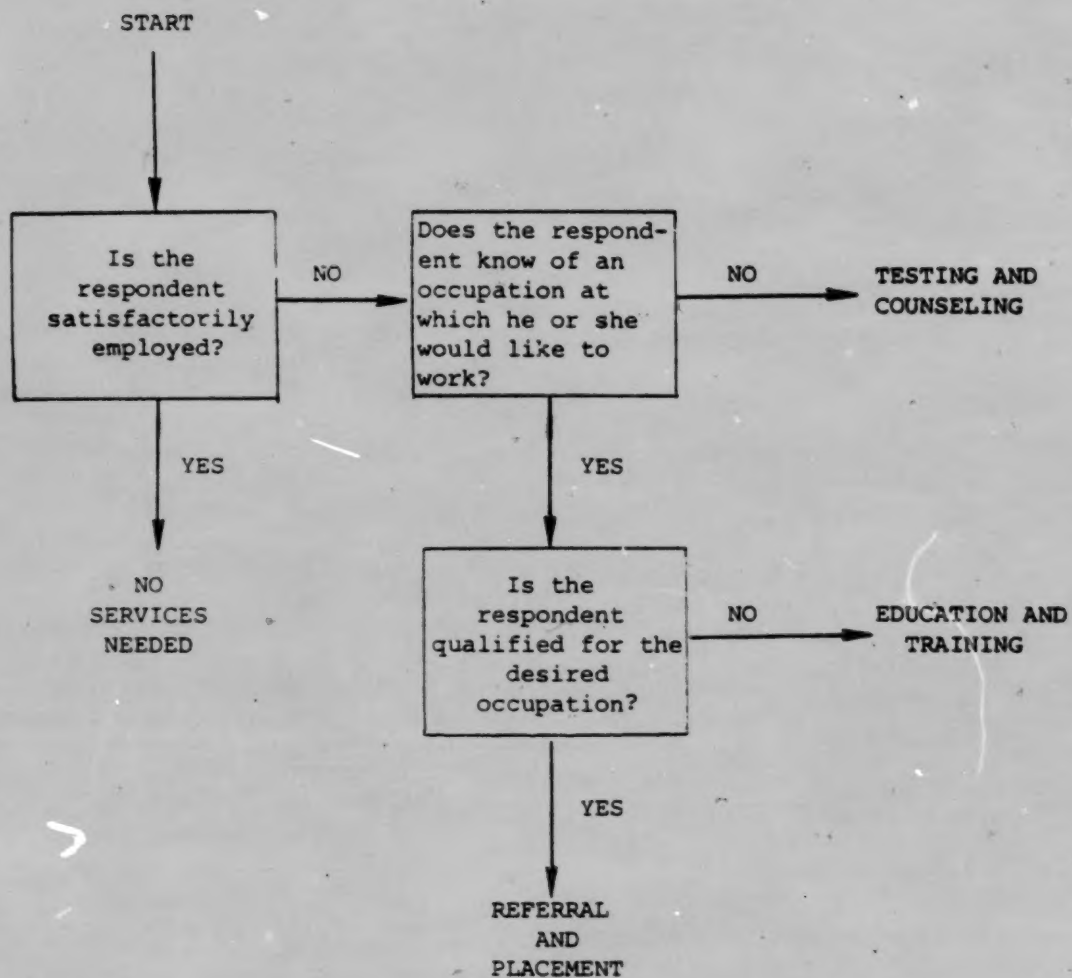


Chart III.2 represents the assignment process after several modifications. The basic hierarchy remains the same: i.e., individuals were assigned to testing and counseling if they did not have an occupation or were not satisfied with it, and to education and training if they were not qualified for their chosen occupation. However, in contrast to the procedure shown in Chart III.1, where those who were satisfactorily employed were assigned to "no services needed," all individuals were treated as if they were unemployed and were assigned using only those questions which related to their satisfaction with respect to the occupation about which they chose to answer the questions.

If individuals were qualified for their desired occupation, a test of the availability of jobs in their site and location was made. This test was based on the appropriate area/occupation unemployment rate. If jobs were generally available, then recipients were assigned to referral and placement. If jobs were not available and an individual's adjusted wage rate was less than \$2.30 per hour, then he or she was assigned to education and training. The remaining individuals were assigned to public employment.

Another issue addressed was the assignment of individuals who needed multiple services--in particular, those who were initially assigned to testing and counseling would subsequently need one of the other services. In addition, those who were initially assigned to education and training would also need placement. However, it can be reasonably assumed that career specific training programs have a placement component. To avoid an unnecessary inflation of the results, therefore, it was assumed that education and training programs have a placement component and individuals assigned to this category were not then reassigned to referral and placement.

Further, individuals were not assigned both to referral and placement and to public employment, even though some individuals who cannot be successfully placed might end up in public employment, while many of those who take public employment will subsequently find other jobs.

Chart III.3 illustrates the guidelines used for assigning those in testing and counseling to a further service. Those whose adjusted pre-UI wage rate was below the minimum wage in 1975 (\$2.30 per hour) were automatically assigned to education and training. The rest were assigned to referral and placement if jobs were available in their pre-UI occupation.^{1/} If jobs were not generally available (i.e., if the area/occupation unemployment rate was greater than the specified level), then individuals were assigned to education and training if they lacked the equivalent of a high school education. Otherwise, they were assigned to public employment.

Table III.5 presents the results of the needs assignment of FSB recipients at the date of the interview. Among those continuously out of work 27 weeks or more, 24 percent needed no services because they had found satisfactory jobs. Approximately half the population was assigned to testing and counseling, with the highest incidence falling on the workers in the shorter duration group. Of the remaining recipients, 12.7

^{1/} Individuals were assigned to testing and counseling because they had either expressed dissatisfaction with their pre-UI job or because they did not think there were enough jobs available in that occupation. However, for subsequent assignment without further information, it seemed more reasonable to assign those who earned above the minimum wage in an occupation where jobs were available to referral and placement rather than to education and training or public employment.

CHART III.2

THE NEEDS HIERARCHY FOR INITIAL ASSIGNMENT AT THE
DATE RECIPIENTS FIRST RECEIVED BENEFITS

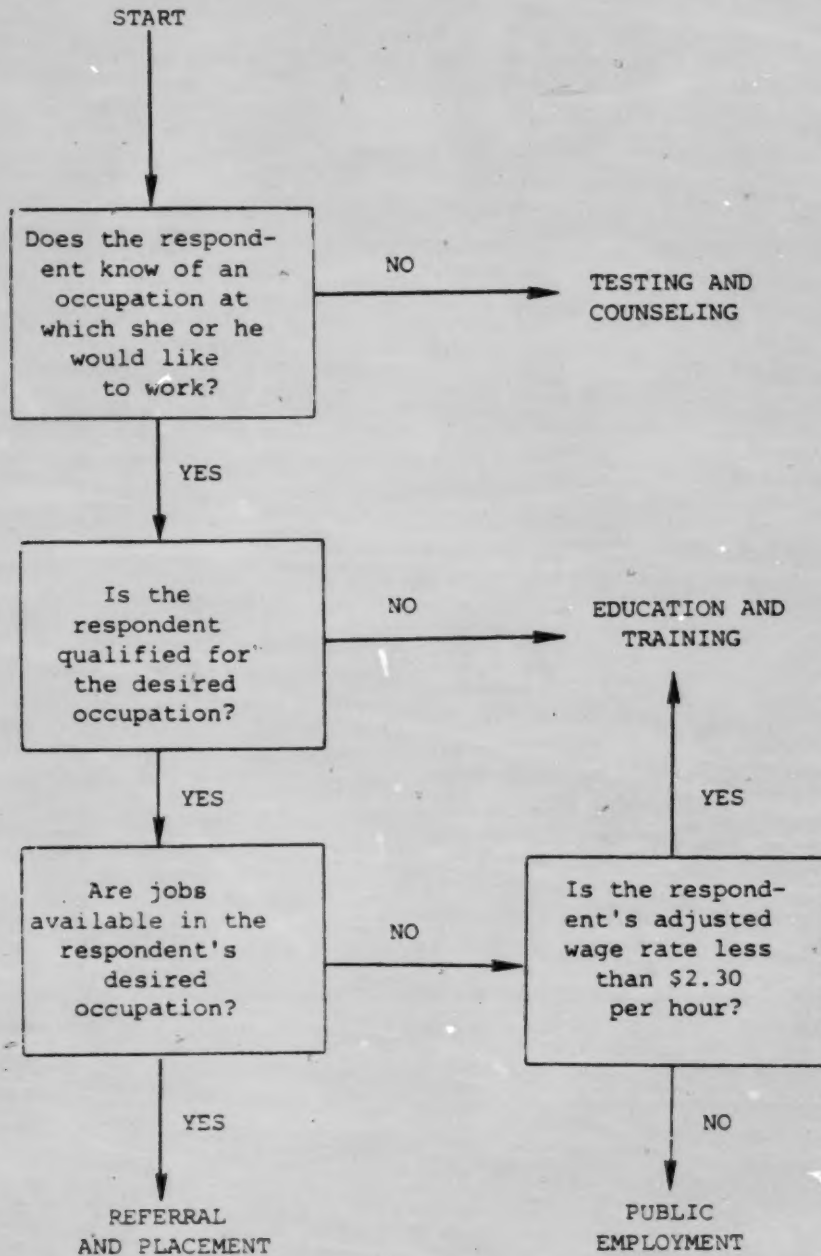


CHART III.3

SUBSEQUENT ASSIGNMENT OF THOSE INITIALLY
ASSIGNED TO TESTING AND COUNSELING

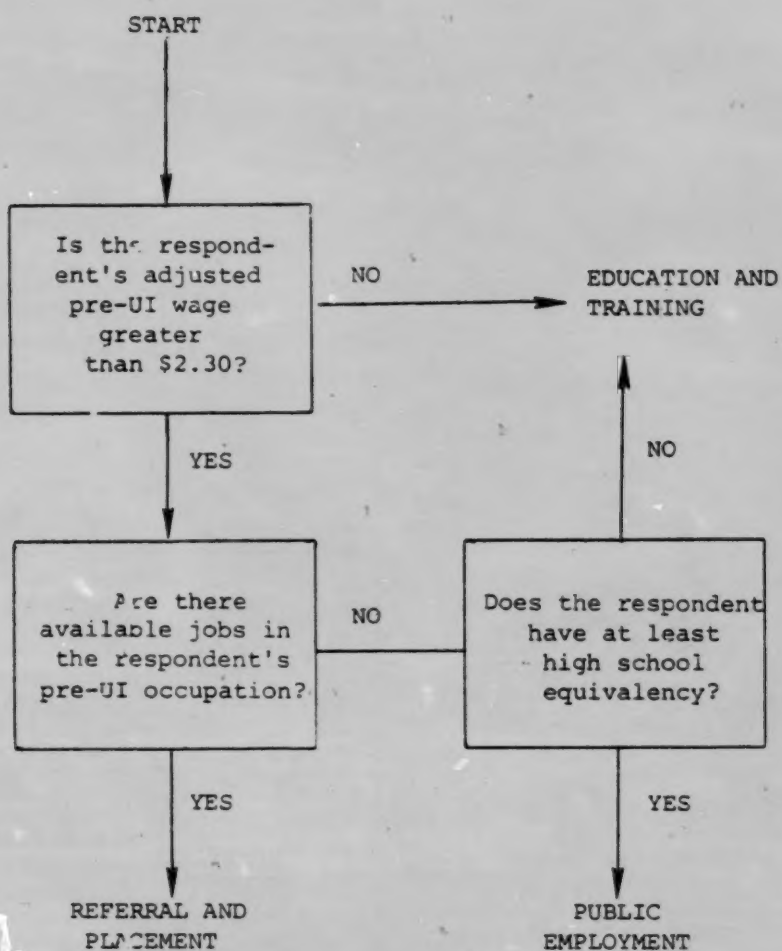


TABLE III.5

DISTRIBUTION OF FSB RECIPIENTS BY EMPLOYMENT AND TRAINING NEEDS AT THE DATE OF INTERVIEW BY AGE AND LENGTH OF SPELL OUT OF WORK

Needs	Out of Work 27 Weeks or More							Out of Work Less than 27 Weeks							All FSB Recipients
	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total	
Testing and Counseling	52.6%	49.2%	48.9%	55.0%	46.1%	31.3%	48.6%	57.2%	50.2%	58.8%	56.8%	56.7%	47.9%	55.0%	50.5%
Education and Training	20.4	17.0	12.9	8.7	3.4	1.9	12.2	18.6	17.4	13.2	8.6	4.5	5.0	11.7	12.7
Referral and Placement	11.4	15.1	17.6	18.7	18.1	11.9	15.5	11.2	13.5	13.7	11.3	10.9	9.3	12.1	14.5
No Services Needed	15.6	18.7	20.6	17.6	32.4	54.9	21.7	13.0	18.9	14.3	23.3	27.9	17.8	19.2	22.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	861	1,082	675	724	657	423	4,422	489	504	275	201	196	94	1,838	6,260

percent were assigned to education and training while 14.5 percent were assigned to referral and placement. As expected, the incidence of assignment to education and training was highest for young workers, with less than 5 percent of workers 55 years and over assigned to this category.

The results of Table III.5 highlight an interesting finding. Although 34 percent of the entire FSB sample had become reemployed by the date of their interview, only one out of five workers had found what they considered satisfactory reemployment by that date--a time which falls well after the initial receipt of FSB benefits. In some cases, this dissatisfaction was due to the perceived scarcity of jobs in their chosen occupation and the insecurity engendered by that. In others it was due to the fact that they did not like the occupation they had.

The distribution of the initial needs of the FSB population during the spell of unemployment which put them on FSB is presented in Table III.6. The results are presented using the two different cutoff values for the area/occupation unemployment rate to determine whether or not individuals would be assigned to referral and placement--5 percent and 8.5 percent. This "job ready" category is the sum of the referral and placement and public employment categories.^{1/}

Testing and counseling were needed by 43 percent of the recipients. Under the 5 percent unemployment rate cutoff, 17 percent needed further education and training. The remaining 40 percent of the recipients were

^{1/} A limited number of individuals (less than 5 percent of FSB recipients and 2 percent of SUA recipients) who were retired or did not answer one or more of the questions on which the needs assignment was based were excluded from the analysis.

TABLE 111.6

PERCENTAGES OF PSB RECIPIENTS WITH EMPLOYMENT AND TRAINING NEEDS AT THE DATE OF FIRST PSB RECEIPT,

BY AGE AND LENGTH OF SPELL OUT OF WORK: INITIAL ASSIGNMENT

Needs	Out of Work 27 Weeks or More							Out of Work Less than 27 Weeks							All PSB Recipients
	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total	
Testing and Counseling	35.3%	39.5%	41.9%	48.4%	50.5%	51.1%	43.3%	32.3%	43.0%	47.9%	46.6%	52.6%	71.5%	43.5%	43.4%
Area/occupation unemployment rate at 5 percent															
Education and Training	25.9	19.5	12.1	11.6	8.7	7.4	16.0	30.9	20.8	15.0	13.7	9.1	4.7	19.8	17.2
Referral and Placement	4.9	8.0	7.5	5.9	9.0	9.4	7.2	5.8	6.0	3.4	4.0	6.5	6.7	5.3	6.6
Public Employment	13.9	32.9	36.5	34.1	31.8	30.1	33.5	31.0	30.2	33.6	35.7	31.7	15.1	31.4	32.9
Job Ready	38.8	40.9	44.0	40.0	40.8	39.5	40.7	36.8	36.2	37.0	39.7	38.2	21.8	36.7	39.5
Area/occupation unemployment rate at 8.5 percent															
Education and Training	23.7	18.3	11.8	10.0	7.7	6.6	14.7	27.7	20.3	14.4	11.6	8.4	2.6	18.2	15.9
Referral and Placement	13.6	17.0	18.0	16.5	19.5	20.5	16.9	15.1	12.2	12.4	15.0	17.0	11.8	13.9	16.0
Public Employment	27.4	25.2	26.3	25.1	22.4	19.8	25.0	24.9	24.5	25.3	26.8	22.0	12.0	24.3	24.9
Job Ready	31.0	42.2	44.3	41.6	41.9	40.3	41.9	40.0	36.7	37.7	41.8	39.0	23.8	38.2	40.9
Weighted Sample Size	1092	1,123	705	757	584	204	4,344	510	543	301	298	182	75	1,917	6,261

job ready, but only 7 percent of recipients were found to be job ready in occupations and locations with economic conditions which indicated they might benefit from referral and placement. Under the 8.5 percent cutoff, those assigned to referral and placement were much more numerous (16 percent) and those assigned to public employment correspondingly fewer. But the total found to be job ready was very similar (41 percent). If this reflects the true number of individuals who can be expected to be successfully placed in a reasonable length of time, then the potential need among FSB recipients for a public employment program in lieu of Unemployment Compensation (particularly if placement services are not effective) is considerable.^{1/}

Generally there was little difference between the long-term unemployed and other FSB recipients. Among the long-term unemployed, the need for testing and counseling was highest among the prime-aged working population. This result is less apparent for those whose duration of unemployment is shorter. As with needs at the date of the interview, those assigned to further education and training tended to be younger; less than 8 percent of those 55 years and over were assigned to this category.

Table III.7 indicates the subsequent training and employment needs for FSB recipients who were initially assigned to testing and counseling. For those continuously out of work for 27 weeks or more, the percentage of those in the 45 years and older age groups who were subsequently assigned

^{1/} Not everyone can be expected to take a public employment job as an alternative to Unemployment Compensation if the latter is available. The willingness of recipients to take advantage of public employment and other services is discussed in Section E below.

TABLE III.7

DISTRIBUTION OF FSB RECIPIENTS WITH TESTING AND COUNSELING NEEDS,
BY SUBSEQUENTLY ASSIGNED EMPLOYMENT AND TRAINING SERVICES, AND BY CONTINUOUS SPELL OUT OF WORK AND AGE

Employment and Training Services	Out of Work 27 Weeks or More							Out of Work less than 27 Weeks							All FSB Recipients
	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total	
Area/Occupation Unemployment Rate at 5 percent															
Education and Training	36.6%	31.8%	52.8%	55.2%	66.9%	57.3%	48.2%	38.3%	43.2%	59.9%	56.8%	70.0%	83.8%	53.1%	39.2%
Referral and Placement	5.3	4.8	4.1	2.0	3.2	0.7	3.7	3.0	2.9	0.7	3.6	7.9	3.4	3.3	3.5
Public Employment	58.0	63.4	42.8	42.8	40.0	41.9	48.1	58.7	53.9	39.4	39.5	22.1	12.8	43.7	46.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Area/Occupation Unemployment Rate at 8.5 percent															
Education and Training	34.9%	29.5%	47.2%	51.0%	61.2%	46.6%	44.0%	37.8%	40.9%	54.6%	55.8%	65.8%	76.7%	50.3%	35.9%
Referral and Placement	17.9	21.7	21.8	16.8	15.8	21.9	20.0	11.8	10.6	11.7	12.2	14.3	18.5	14.5	18.1
Public Employment	47.2	46.8	29.0	31.4	23.0	31.5	36.0	50.4	40.5	33.7	32.0	19.9	4.8	35.2	45.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	315	444	309	366	295	151	1,880	167	214	144	139	96	55	835	2,715

to education and training was quite high--a somewhat anomalous result caused by the higher incidence of low wages and low education among workers in the older age groups. Rejecting workers from education and training services based on age was not used as an assignment criterion on the grounds that it is discriminatory.^{1/}

The level of need for the various employment services was calculated by combining the initial and subsequent needs of the FSB recipients. Thus, those individuals who were initially assigned to testing and counseling were also assigned to an additional category. Table III.8 presents the incidence of the combined initial and subsequent needs for FSB recipients by sex and age. Testing and counseling services were needed by 44 percent of FSB recipients. Almost two-fifths of recipients needed further education and training. Given the generally high rate of unemployment, only 8 percent of recipients were assigned to referral and placement when the area/occupation unemployment rate criterion was 5 percent; over one-half of all recipients needed public employment. When the cutoff unemployment rate was set at the national average unemployment rate in 1975 (8.5 percent), far less than half of those who were subjected to the criterion ended up in referral and placement, and the fraction assigned to public employment (40 percent) was still considerably greater than that assigned to referral and placement (24 percent). This was due to the concentration of FSB recipients in jobs with higher-than-average unemployment rates.

^{1/} Many who were 55 years and over (67 percent) said they would take training and education if offered.

TABLE 111.8

PERCENTAGES OF FSB RECIPIENTS WITH EMPLOYMENT AND TRAINING NEEDS AT THE DATE OF FIRST FSB RECEIPT, BY SEX AND AGE

Needs	Male							Female							All FSB Recipients
	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total Male	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total Female	
Testing and Counseling	34.0%	37.8%	45.6%	47.7%	47.0%	56.2%	41.7%	34.0%	44.1%	45.0%	47.6%	56.1%	61.6%	45.4%	43.5%
Area/Occupation Unemployment Rate at 5 percent															
Education and Training	37.5	30.2	32.0	34.9	38.3	42.6	34.9	45.8	39.2	43.3	43.2	50.0	45.0	43.5	39.0
Referral and Placement	7.6	11.6	12.3	10.4	14.0	14.4	11.0	6.1	6.5	3.9	3.2	7.2	3.4	5.2	8.3
Public Employment	55.2	58.2	55.1	54.9	47.3	42.6	54.1	48.4	54.3	52.9	53.5	43.1	51.0	51.1	52.0
Job Ready	36.8	36.2	37.0	39.7	38.2	21.8	36.7	38.8	40.9	44.0	40.0	40.8	39.5	40.7	39.5
Area/Occupation Unemployment Rate at 8.5 percent															
Education and Training	35.5	29.2	28.8	32.9	34.4	35.2	32.4	40.3	36.4	40.1	39.2	47.2	41.6	39.9	35.9
Referral and Placement	16.1	22.0	29.2	22.9	30.1	33.9	23.4	26.5	27.2	22.6	23.5	22.4	24.8	24.9	24.1
Public Employment	48.6	48.8	42.0	44.3	35.6	31.3	44.2	33.0	36.3	37.0	37.1	30.4	33.6	35.2	40.0
Job Ready	40.0	36.7	37.7	41.8	39.0	21.8	38.2	31.0	42.2	44.3	41.6	41.9	40.3	41.9	40.9
Weighted Sample Size	901	885	472	499	436	200	3,421	539	819	571	595	362	149	1,034	6,457

Women had a greater need for both testing and counseling than men. A larger fraction of women was also assigned to education and training, a result which stems in part from the lower pay that women received, and in part from the fact that they were more likely than men to need further education and training following testing and counseling. The incidence of women needing referral and placement was lower, because fewer women remained unassigned at the point in the hierarchy where it was determined if jobs were available.

The combined needs of the total FSB population by occupation are presented in Table III.9.^{1/} Somewhat surprisingly, the lowest incidence of testing and counseling needs among occupations was for nonfarm laborers, an unskilled group (41 percent), while the highest (49 percent) was for workers whose pre-UI work was in sales. As might be expected, professionals, managers and administrators had a less-than-average need for further training and education, while the greatest need (61 percent) was among service workers other than private household workers. Unemployment rates were generally lowest for professionals and managers; hence, referral and placement needs were highest for these occupations. The highest percentages of those needing public employment jobs occurred among clerical workers and nonfarm laborers.

One of the questions of considerable policy interest is whether or not FSB recipients are similar to those who receive Unemployment Compensation for a shorter time span. One possible way in which FSB

^{1/} Their needs cross-classified by industry are shown in Table 7.4 in Appendix 7.

TABLE 111.9

PERCENTAGES OF FSB RECIPIENTS WITH EMPLOYMENT AND TRAINING NEEDS
AT THE DATE OF FIRST FSB RECEIPT, BY OCCUPATION

Needs	Occupation										All FSB Recipients
	Professional, Technical and Kindred Occupations	Managers and Administrators, Except Farm	Sales Workers	Clerical Workers	Craft and Kindred Workers	Operatives, Except Transport	Transport Equipment Operatives	Nonfarm Laborers	Service Workers	Farm Laborers and Farm Foremen	
Testing and Counseling	42.8%	45.8%	48.8%	41.8%	43.4%	44.4%	42.7%	40.6%	43.4%	44.5%	43.5%
Area/Occupation Unemployment Rate at 5 percent											
Education and Training	17.4	20.5	37.7	34.0	35.1	44.7	41.5	40.5	60.5	37.5	39.0
Referral and Placement	39.0	31.6	8.2	7.4	4.5	2.7	4.8	5.8	3.8	14.3	8.3
Public Employ- ment	43.8	47.6	54.4	58.5	60.3	52.7	54.4	53.9	35.6	41.7	52.8
Job Ready	44.9	44.3	36.8	38.4	44.5	37.5	41.5	43.9	28.6	51.4	39.5
Area/Occupation Unemployment Rate at 8.5 percent											
Education and Training	16.8	18.7	32.3	29.4	33.3	43.5	35.7	36.9	52.1	37.5	35.9
Referral and Placement	63.1	54.2	39.0	42.2	15.1	6.8	15.7	10.0	20.3	41.7	24.1
Public Employ- ment	20.4	27.1	28.8	28.4	51.5	49.8	48.0	50.9	27.6	16.7	40.0
Job Ready	45.0	44.8	41.4	41.4	44.7	38.0	42.2	44.5	32.4	51.4	40.9
Weighted Sample Size	333	380	316	1,229	984	1,887	294	432	587	12	6,457

recipients could differ from the shorter-term unemployed is in their needs for training and employment services. To the extent that needs are dissimilar, the variety of services offered should reflect those differences in periods of high unemployment and when an FSB-type program is in effect. For comparison, therefore, Table III.10 presents the needs for services by age and sex for a sample of EB recipients. Comparing this table with Table III.9 reveals that the needs were strikingly similar for FSB and EB recipients. In the FSB recipient group, 44 percent needed counseling and testing; for EB recipients the proportion was approximately three percentage points lower. Education and training services were needed by 39 percent of FSB recipients; the number for the EB group was less than one percentage point higher.

D. THE NEEDS ASSESSMENT FOR SUA RECIPIENTS

The assignment procedure for SUA recipients was the same as for those on FSB. However, the data analysis is slightly different because more than half (55 percent) of the SUA recipients were usually employed in elementary and secondary education systems. Furthermore, the SUA program was primarily designed for unemployed workers in industries not covered by UI, rather than the long-term unemployed. Thus, instead of grouping SUA recipients by the length of time out of work, they were grouped into those whose pre-UI jobs were in elementary and secondary education (school workers) and those whose jobs were not in the school system (non-school workers).

Table III.11 presents the results of the needs assignment for SUA recipients at the date of the interview. Approximately 54 percent of

TABLE III.10

PERCENTAGES OF EB RECIPIENTS WITH EMPLOYMENT AND TRAINING NEEDS AT THE DATE OF FIRST EB RECEIPT, BY SEX AND AGE

Needs	Male							Female							All EB Recipients
	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total Male	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total Female	
Testing and Counseling	32.9%	41.2%	32.5%	38.2%	57.9%	55.3%	38.9%	48.5%	35.1%	38.0%	47.2%	46.8%	34.3%	41.9%	40.2%
Area/Occupation Unemployment Rate at 5 percent															
Education and Training	38.5	35.5	23.5	32.0	48.0	54.5	35.8	50.0	35.2	53.0	40.7	52.2	62.5	45.0	39.8
Referral and Placement	2.9	9.5	9.9	5.3	3.7	27.3	6.4	2.4	4.8	3.6	4.2	1.1	25.7	3.9	5.3
Public Employment	58.6	55.6	67.9	60.0	50.0	21.6	57.8	35.4	60.2	42.2	53.9	71.7	13.8	51.1	54.9
Job Ready	43.9	42.4	50.5	51.5	30.8	35.6	45.2	30.5	42.0	31.5	29.2	31.9	39.5	34.1	40.2
Area/Occupation Unemployment Rate at 8.5 percent															
Education and Training	25.3	32.5	21.0	30.7	44.4	54.6	33.5	42.7	32.8	49.4	35.2	43.5	62.5	39.7	36.2
Referral and Placement	13.8	23.7	23.5	16.0	16.7	27.3	19.0	23.2	27.3	16.9	24.2	19.6	25.7	22.8	20.7
Public Employment	50.0	44.4	56.8	50.7	38.9	27.3	47.7	35.4	39.8	32.5	40.7	37.0	13.8	37.2	43.1
Job Ready	44.2	42.5	59.1	53.4	30.8	35.6	45.5	38.1	44.8	32.2	30.3	40.6	39.5	37.9	42.1
Weighted Sample Size	174	169	81	75	54	11	564	82	128	83	91	46	8	438	1,002

TABLE III.11

DISTRIBUTION OF SVA SCHOOL WORKERS AND EX-SCHOOL WORKERS, BY EMPLOYMENT AND TRAINING NEEDS AT THE DATE OF INTERVIEW, AND BY AGE

Needs	School Workers							Non-School Workers							All SVA Recipients
	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total	
Testing and Counseling	53.6%	48.8%	55.7%	55.4%	60.7%	52.4%	54.8%	57.2%	47.2%	53.1%	57.8%	52.9%	54.8%	53.5%	54.1%
Education and Training	17.2	15.6	7.3	4.7	1.1	1.8	7.8	18.0	15.1	11.6	7.9	7.7	0.4	13.0	10.1
Referral and Placement	14.0	8.4	5.3	4.3	2.7	9.9	6.0	9.4	14.8	10.7	8.7	16.1	12.8	11.7	8.5
No Services Needed	15.2	27.2	31.7	35.6	35.5	31.9	31.4	15.4	22.9	24.6	25.6	23.3	32.0	21.8	27.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	147	410	469	552	346	80	2,005	485	415	269	244	158	73	1,644	3,649

those on SUA were uncertain about a suitable occupation. Because many of the school workers were expecting to be recalled at a specific time and had been reemployed at the date of the interview, a greater number of school workers than non-school workers were satisfactorily employed (27 percent versus 22 percent). The percentage needing education and training or referral and placement was correspondingly lower.

The distributions of SUA school workers and non-school workers by their needs for services at the date they first received SUA are presented in Table III.12. Although the percent of non-school workers under 25 years of age needing education and training was higher than for similarly aged school workers, prime-aged school workers, in general, needed this service as much as non-school workers. This was due to the low wage rates among the majority of the school workers. A somewhat higher proportion of non-school SUA recipients was assigned to referral and placement using both unemployment rate cutoffs than was true for FSB recipients. When the higher unemployment rate cutoff was applied, the percentage assigned to public employment was less among non-school worker recipients of SUA than among school workers.

The subsequent needs of those SUA recipients who were initially assigned to testing and counseling are presented in Table III.13. The percent of those assigned to education and testing was as high for the school workers as for non-school workers, again due to the fact that many school workers were service workers earning a low wage. Given that the national unemployment rate for service workers other than private household workers was 8.9 percent in 1975, no school workers were assigned

TABLE III.12

PERCENTAGES OF SCHOOL WORKERS AND NON-SCHOOL WORKERS WITH EMPLOYMENT AND TRAINING NEEDS
AT THE DATE OF FIRST SOA RECEIPT, BY AGE: INITIAL ASSIGNMENT

Needs	School Workers							Non-School Workers							All SOA Recipients
	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total	
Testing and Counseling	51.5%	46.8%	41.3%	42.9%	40.9%	36.7%	43.4%	35.3%	45.7%	42.0%	39.1%	38.4%	50.8%	40.5%	42.1%
Area/Occupation Unemployment Rate at 5 percent															
Education and Training	20.6	19.2	22.4	20.1	20.7	22.4	20.7	11.9	18.2	17.3	16.7	15.8	15.0	21.6	21.1
Referral and Placement	16.3	19.6	13.6	9.4	10.7	18.0	13.6	7.1	14.4	12.4	16.1	17.6	6.5	12.1	13.0
Public Employment	11.6	14.4	22.7	27.6	27.7	22.9	22.3	25.7	21.7	28.3	28.2	28.1	27.6	25.8	23.9
Job Ready	27.9	34.0	36.3	37.0	38.4	40.9	35.9	32.8	36.1	40.7	44.3	45.7	34.1	37.9	36.9
Area/Occupation Unemployment Rate at 8.5 percent															
Education and Training	16.5	14.7	14.9	12.9	13.3	10.0	14.3	27.1	15.6	13.4	13.5	14.4	4.9	17.8	15.9
Referral and Placement	25.3	11.9	32.2	29.7	32.2	30.6	30.9	20.1	24.8	24.4	28.2	26.4	27.8	24.1	27.8
Public Employment	6.8	6.6	11.6	14.5	13.6	14.7	11.4	17.5	13.9	20.2	19.2	20.7	16.4	17.6	14.2
Job Ready	32.1	38.5	43.8	44.2	45.8	45.3	42.3	37.6	38.7	44.6	47.4	47.1	44.2	41.7	42.0
Weighted Sample Size	164	449	518	504	361	70	2,146	522	445	286	261	161	68	1,741	1,889

TABLE III.13

DISTRIBUTION OF SUA SCHOOL WORKERS AND NON-SCHOOL WORKERS WITH TESTING AND COUNSELING NEEDS,
BY SUBSEQUENTLY ASSIGNED EMPLOYMENT AND TRAINING SERVICES, AND BY AGE

Employment and Training Services	School Workers							Non-School Workers							Total
	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total	
Area/occupation Unemployment Rate at 5 percent	21.2%	25.1%	40.9%	44.3%	51.1%	68.3%	38.8%	39.0%	38.8%	48.9%	55.6%	57.0%	62.3%	45.7%	41.8%
Education and Training	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.6	18.8	19.9	18.2	17.5	22.6	16.6	7.2
Referral and Placement	78.8	74.9	59.1	55.7	48.9	31.7	61.2	51.4	42.4	31.2	26.2	25.5	15.1	17.7	51.0
Public Employment															
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Area/occupation Unemployment Rate at 8.5 percent	19.6%	19.6%	32.7%	30.3%	24.3%	55.4%	27.2%	38.3%	35.4%	43.2%	51.2%	51.1%	50.1%	42.0%	33.6%
Education and Training	68.0	68.0	56.9	62.1	68.3	37.5	63.1	24.9	38.9	41.7	33.0	36.3	44.6	34.6	50.8
Referral and Placement	12.4	12.4	10.4	7.6	7.4	7.1	9.7	36.8	25.7	15.1	15.8	12.6	5.3	21.4	15.6
Public Employment															
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	84	210	214	250	148	26	932	184	204	120	102	62	35	706	1,638

to referral and placement when the 5 percent area/occupation unemployment rate was applied. Over 60 percent were assigned this need when the 8.5 percent cutoff was used.

Table III.14 gives the combined initial and subsequent needs of SUA recipients. The percentage of women who needed services was higher than that of men for all services except public employment. This result is due in part to the high concentration of women in the school sector--88 percent of SUA recipients in the school sector were women. Those under 25 years old, both male and female, were generally less job ready than prime-aged workers, although a greater percent of males than females at this age were job ready.

E. THE USE OF TRAINING AND EMPLOYMENT SERVICES

The previous section dealt with the training and employment needs of the FSB and SUA population, as defined by job-readiness criteria. It did not take into account the fact that some individuals would not, in fact, use a service. With the exception of referral and placement, where the unemployment rate index was applied, the assignment to categories was done without regard for the potential effectiveness or utilization of the service. In this section, we look at both the willingness to use the assigned training and employment service and the actual use of a selected number of employment services by FSB and SUA recipients. We then examine the relationship between the services actually used and employment status at the date of the interview.

The level of the various training and employment services which the government provides should reflect expected utilization. When asked during their interviews, a number of recipients indicated they would not

TABLE III.14

PERCENTAGES OF SUA RECIPIENTS WITH EMPLOYMENT AND TRAINING NEEDS AT THE DATE
OF FIRST SUA RECEIPT, BY SEX AND AGE

Needs	Male							Female							SUA Recipients	
	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total Male	Under 25	25-34	35-44	45-54	55-64	65 and Over	Total Female	All	Non-School Workers
Testing and Counseling	31.2%	46.0%	45.9%	35.0%	33.7%	41.3%	39.1%	45.2%	46.2%	40.6%	42.9%	42.0%	46.5%	43.3%	42.1%	40.6%
Area/Occupation Unemployment Rate at 5 percent																
Education																
and Training	40.4	25.7	42.8	22.9	29.1	38.2	33.2	44.3	37.3	37.9	41.9	43.3	56.5	40.8	38.7	40.1
Referral and Placement	10.4	29.6	24.6	27.5	36.9	22.1	22.3	13.3	17.2	14.4	11.2	10.7	14.5	13.5	16.0	18.9
Public Employment	49.0	45.1	33.3	48.9	40.9	39.7	44.5	42.2	45.4	47.5	47.1	46.0	30.4	45.7	45.3	41.0
Job Ready	36.5	40.3	33.7	55.9	51.8	43.2	41.4	26.7	32.5	30.8	36.2	37.8	31.3	35.0	36.8	37.9
Area/Occupation Unemployment Rate at 8.5 percent																
Education																
and Training	37.2	23.7	36.2	19.1	20.0	36.8	29.5	37.5	30.1	28.1	30.0	28.2	33.3	30.3	30.1	34.7
Referral and Placement	28.2	51.7	43.5	50.4	60.9	44.1	43.7	44.8	54.1	52.1	57.8	52.1	50.7	51.5	49.3	38.3
Public Employment	34.6	24.3	19.7	29.8	19.1	19.1	26.9	17.7	15.9	19.6	18.4	20.0	15.9	21.9	20.7	27.0
Job Ready	39.2	40.9	36.4	57.3	54.2	43.2	43.2	33.3	37.5	45.7	42.9	43.9	45.7	41.5	42.0	41.7
Weighted Sample Size	347	304	138	131	110	68	1,097	339	592	665	714	411	69	2,790	3,887	1,740

use the service which our analysis determined them to need. However, many of them had become reemployed and their willingness to use a service depended on their current employment status. Therefore, we based the estimates of utilization in this section only on the responses of those who were unemployed at the date of the interview.

Table III.15 shows the percentages of unemployed FSB and SUA recipients assigned to specific services who indicated they would not use those services. Individuals who were not in the labor force, as well as those who were employed at the date of the interview, were excluded from the calculations. The results are presented by continuous spells out of work for FSB recipients, and by whether or not the recipient was a school worker for the SUA group. Two sets of results are presented for public employment. The first set consists of those who would refuse a public employment job at \$4.00 per hour. The second consists of those who would refuse the job if it paid \$2.30 per hour.

Among both FSB and SUA recipients, approximately one-fifth of those assigned to testing and counseling indicated they would not use the service. More than 20 percent of FSB and 16 percent of SUA recipients assigned to education and training indicated they would not take it. For the 5 percent unemployment rate cutoff, 27 percent of those on FSB assigned as needing public employment indicated they would not take such a job at \$4.00 per hour, while 75 percent said they would not want a public employment job at the minimum wage. The numbers were somewhat lower for the 8.5 percent criterion. SUA recipients showed a pattern similar to those on FSB.

TABLE III.15

PERCENTAGES OF FSB AND SUA RECIPIENTS NOT WILLING TO ACCEPT ASSIGNED SERVICES, BY CONTINUOUS SPELL OUT OF WORK
FOR FSB RECIPIENTS, AND BY SCHOOL/NON-SCHOOL WORKERS FOR SUA RECIPIENTS

Assigned Services	FSB Recipients			SUA Recipients		All SUA Recipients
	Out of Work More than 27 Weeks	Out of Work Less than 27 Weeks	All FSB Recipients	School Workers	Non-School Workers	
Testing and Counseling	21.3%	16.0%	19.7%	32.9%	15.3%	19.7%
Area/Occupation Unemployment Rate at 5 percent						
Education and Training	19.4	26.2	21.7	17.0	15.0	15.1
Public Employment at \$4.00	26.0	29.3	26.8	71.7	29.7	47.3
Public Employment at \$2.30	74.3	76.7	74.9	89.2	74.5	80.7
Area/Occupation Unemployment Rate at 8.5 percent						
Education and Training	19.3	25.9	21.5	19.0	15.4	15.6
Public Employment at \$4.00	22.0	20.0	21.5	46.5	17.7	25.2
Public Employment at \$2.30	72.6	73.0	72.7	88.2	74.5	80.7
Weighted Sample Size	425	212	637	83	99	182

Table III.16 shows the estimated use of the employment and training services by FSB and SUA recipients assuming that the percentage of all recipients who would utilize a given service is equal to the percentage of those who were unemployed at the date of the interview who would use the service. One-third of all recipients were assigned to and willing to take testing and counseling. Another third (some the same as those assigned to testing and counseling) were assigned to and indicated their willingness to take education and/or training programs. At \$4.00 per hour, two-fifths of FSB and one-fifth of SUA recipients would have been assigned to and would have taken public employment. These fractions drop considerably for public employment at \$2.30 per hour.

A number of individuals used various employment and training services during their unemployment. Table III.17 shows the percentage of FSB and SUA recipients who used services. Private agencies and state Employment Services were used more by FSB recipients than by those on SUA. The incidence of further education or training was nearly the same for FSB and SUA recipients, with males and young people more likely to have taken additional training. Very few of the FSB sample were in public employment jobs at the date of the interview, while 9.4 percent of school workers in the SUA population had such jobs. The row labeled "No Services Used" includes those who used no services (and those recipients who, although they reportedly used the Employment Service, did not in fact receive any services under the two alternatives explained below).

A detailed set of questions regarding the type of services offered directly by the Employment Service was asked of each respondent. Each of

TABLE III.16

PERCENTAGES OF FSB AND SUA RECIPIENTS WILLING TO USE ASSIGNED EMPLOYMENT AND TRAINING SERVICES, BY CONTINUOUS SPELL OUT OF WORK
FOR FSB RECIPIENTS AND BY SCHOOL/NON-SCHOOL WORKERS FOR SUA RECIPIENTS

Assigned Services	FSB Recipients			SUA Recipients		
	Out of Work More than 27 Weeks	Out of Work Less than 27 Weeks	All FSB Recipients	School Workers	Non-School Workers	All SUA Recipients
Testing and Counseling	34.1%	36.6%	34.9%	29.1%	34.3%	31.8%
Area/Occupation Unemployment Rate at 5 percent						
Education and Training	29.7	31.7	16.8	31.1	34.2	32.9
Public Employment at \$4.00	40.3	35.6	38.9	13.9	28.8	23.8
Public Employment at \$2.30	14.0	11.7	13.4	5.8	10.5	8.7
Area/Occupation Unemployment Rate at 8.5 percent						
Education and Training	27.2	29.7	28.0	21.1	29.5	25.3
Public Employment at \$4.00	31.7	31.8	31.6	8.4	22.1	15.5
Public Employment at \$2.30	11.1	10.7	11.0	3.6	8.2	5.9
Weighted Sample Size	4,350	1,920	6,270	2,147	1,745	3,892

TABLE III.17

PERCENTAGES OF FSB AND SUA RECIPIENTS USING SELECTED EMPLOYMENT SERVICES, BY CONTINUOUS SPELL OUT OF WORK
FOR FSB RECIPIENTS, AND BY SCHOOL/NON-SCHOOL WORKERS FOR SUA RECIPIENTS

Service Used	FSB Recipients		All FSB Recipients	School Workers	SUA Recipients	
	Out of Work More than 27 Weeks	Out of Work Less than 27 Weeks			Non-School Workers	All SUA Recipients
Private Employment Agency (Referral and Placement)	10.4%	10.7%	10.5%	4.1%	9.8%	6.7%
Employment Service	70.5	69.2	70.1	43.9	67.1	54.3
Testing and Counseling	14.6	16.3	15.1	5.7	17.9	11.1
Referral and Placement	35.2	37.7	35.9	10.7	36.8	22.4
Total Referral and Placement ^{a/}	40.6	42.8	41.2	13.6	41.8	26.2
Training and Education	12.4	15.4	13.3	15.7	14.9	15.3
In Public Employment Job, March 1976	1.1	1.6	1.3	9.4	3.3	6.7
No Services Used	51.6	48.4	50.6	73.4	50.0	62.4
Weighted Sample Size	4,645	1,968	6,612	2,175	1,772	3,947

^{a/} Referral and placement services from the Employment Service and from private agencies.

the questions related to either counseling and testing or referral and placement. Table III.17 reports separately the percentages of those who received testing and counseling and those who received referral and placement. Potentially, the percentage of each of these rows could be as high as that for those who used the employment service. Actually, the sum of the two rows was less than the percentage who used the Employment Service. The implication is that some fraction of the recipients used the Employment Service only for collecting Unemployment Compensation. While it is not unusual for the Employment Service to forego offering referral and placement to individuals in unions or in occupations of high unemployment, the incidence of testing and counseling was far lower than the estimated incidence of need for such services.

While they should not be taken as direct evidence of cause and effect, Tables III.18 and III.19 illustrate the relationship between the use of employment services and the labor force status of FSB and SUA respondents at the date of interview. Generally, the rate of reemployment was higher for those who used training and employment services than for either recipients in general or those who used no services. This is not true for those who were reemployed at their pre-UI job, since most such individuals (especially school workers) knew they would be called back and did not use employment services.

Among FSB recipients, the rate of reemployment for those who used private agencies was higher than for those who used either the testing and counseling or the referral and placement services of the Employment Service. The same was true for SUA recipients. But the rate of reemployment of those using the Employment Service was higher than those using no

TABLE III.18

DISTRIBUTION OF PSB RECIPIENTS BY EMPLOYMENT SERVICES USED AND LABOR FORCE STATUS AT THE DATE OF THE INTERVIEW

Labor Force Status	Private Employment Agency (Referral and Placement)	Employment Service			Total Referral and Placement ^{a/}	Training and Education	No Services Used	All PSB Recipients
		All Services	Testing and Counseling	Referral and Placement				
Employed								
At Paid Job	3.8%	7.0%	5.8%	5.4%	5.4%	3.5%	8.5%	7.1%
Other	41.0	29.1	33.2	35.1	35.2	40.4	21.5	27.6
Unemployed								
Temporary Layoff	0.0	0.4	0.3	0.2	0.2	0.0	0.7	0.5
Looking for Work	43.6	47.2	47.7	45.7	45.9	43.4	40.5	41.5
Not in Labor Force								
Discouraged Workers	2.8	4.1	3.5	2.8	2.8	1.3	7.1	4.9
Other Non-Participants	8.7	12.2	9.5	10.8	10.5	11.4	21.7	16.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	701	4,726	1,020	2,440	2,793	889	3,436	6,767

^{a/} Referral and placement services from the Employment Service and from private agencies.

TABLE III.19

DISTRIBUTION OF SGA NON-SCHOOL WORKERS BY EMPLOYMENT SERVICES USE AND
BY LABOR-FORCE STATUS AT THE DATE OF INTERVIEW

Labor Force Status	Private Employment Agency (Referral and Placement)	Employment Service			Total Referral and Placement ^{a/}	Training and Education	No Services Used	All SGA Non-School Workers
		All Services	Testing and Counseling	Referral and Placement				
Employed								
At Pre-UI Job	8.4%	14.6%	8.5%	11.4%	11.6%	13.5%	12.1%	22.1%
Other	40.1	33.8	39.1	37.6	36.5	36.4	24.3	29.8
Unemployed								
Temporary Layoff	0.2	0.9	1.7	0.9	0.8	1.0	1.3	1.2
Looking for Work	41.2	39.4	41.5	40.6	42.0	33.6	27.6	44.1
Not in Labor Force								
Discouraged Workers	1.8	2.2	0.6	1.6	1.5	4.2	3.4	2.7
Other Non-Participants	6.3	8.9	6.6	7.9	7.6	11.3	11.3	9.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	172	1,172	307	643	732	261	851	1,740

^{a/} Referral and placement services from the Employment Service and from private agencies.

service. Reemployment among those who received further training and education was similarly higher than for those who did not. While these results do not reveal the productivity of training and employment services in helping to decrease unemployment, they do suggest that those who obtained such services fared better than those who did not.

CHAPTER IV
ELIGIBILITY FOR AND RECEIPT OF
BENEFITS FROM TRANSFER PROGRAMS

This chapter addresses the relationships among FSB and SUA, other social insurance programs, and income maintenance programs. Interest in these relationships arises primarily from two conflicting views as to the availability and collection of other transfer benefits by recipients of FSB and SUA.

The first view concerns the possibility that many other work or income-conditioned benefits such as Food Stamps or AFDC may be available to FSB and SUA recipients and that the value of these benefits combined with Unemployment Compensation may be so high relative to the income from work that substantial work disincentives are encountered by many recipients. Previous examinations of this work disincentive issue have focused solely on a comparison of UC benefits with pre-UI earnings. We expand the focus in this and the next chapter by examining other benefits that FSB and SUA recipients may be eligible for which also would be reduced if the recipient were to become reemployed.

Related to this view is the subsidiary question of how many UC recipients receive pensions and/or benefits from the retirement portion of Social Security. This question arises from concern that individuals who retire may, because of mandatory retirement rules and the difficulties inherent in determining if they are ready and available for work, be able to collect UC benefits yet have no real intention of returning to work. In fact, the recently passed PL 94-566 includes a provision to reduce UC benefits dollar for dollar by the

value of pension and Social Security income received by the UC recipient. In this chapter we examine the issue of pensions and the effect that the new legislation would have had if it had been applied to FSB and SUA recipients in 1975.

The second view argues that few other means-tested benefits are available to FSB and SUA recipients even in the absence of Unemployment Compensation and that extensions of UC are necessary in recessionary periods to maintain family incomes at an adequate level. This was one argument for the emergency extensions of UC in December 1974. Our focus here includes both an examination of the availability of benefits from existing programs and a brief examination of the availability of benefits from one proposed reform of the current means-tested benefits system.

A. OUTLINE OF THE ANALYSIS

The analysis proceeds first with an examination of other transfer payments that FSB and SUA recipients and their households received at the same time they were collecting FSB or SUA payments.^{1/} This review finds (as described in Section B) that few of the recipients' households (less than 16 percent) received benefits from any of the major means-tested programs, such as Food Stamps, AFDC, or SSI. The major source of such means-tested transfer income as was received was Food Stamps. Among non-means-tested programs, the percentage receiving benefits was higher, but overall--counting both means-tested and non-means-tested benefits--levels were still moderate. Just over 36 percent of FSB households and

¹ Appendix 8 gives further detail on the methodology used in this chapter, plus additional statistical detail.

non-school SUA households received one or more types of benefit from transfer programs other than the respondent's Unemployment Compensation. For SUA school workers the comparable figure was 26 percent. Social Security and pensions and UC for other family members were the major sources of non-means-tested transfer income for all three groups. The provision included in PI 94-566 to reduce UC benefits dollar for dollar by the value of pension and Social Security income received by the UC recipient would, if in effect in 1975, have affected 12 percent of the FSB recipients and 8 percent of each group of SUA recipients. Over half (55 percent) of the FSB and non-school worker SUA recipients, and 74 percent of the school worker SUA recipients who received these benefits would have been made completely ineligible for UC by the new provision.

In Section C, eligibility for means-tested transfer programs at the time of first FSB or SUA payment is imputed to determine if the low rates of receipt arise from low eligibility levels or low participation rates. Very few recipients of either FSB or SUA were eligible for any of the cash means-tested programs, primarily because of the categorical restrictions of these programs. However, considerably more were eligible for Food Stamps--31 percent of FSB recipients, 24 percent of SUA school workers, and 39 percent of the SUA non-school workers.

Benefits available from these programs, plus Social Security benefits subject to the retirement test, were worth very little, on average. For those individuals (6 to 10 percent of each sample) who were eligible for any of the cash transfer programs, however, the combined benefits from UC plus transfers were worth more than their after-tax earnings on their pre-UI job. For FSB recipients in this category,

for example, the mean ratio of UC plus transfers to after-tax earnings was 105 percent.

In the last section, a comparison of the benefits available from Unemployment Compensation with the benefits available from means-tested transfer programs shows that, if UC had not been extended in December 1974, the current means-tested transfer system would not have provided the same degree of income support to those with low incomes as did UC. In the absence of UC, 39 percent of FSB households, 28 percent of school worker SUA households, and 43 percent of other SUA households would have had household incomes below the poverty line, even with full utilization of all transfer benefits. With UC, 17 percent of households on FSB, 15 percent of school worker households on SUA, and 27 percent of other SUA households would have had incomes below the poverty level if they had fully utilized transfer benefits. The extensions of UC benefits did, therefore, have a substantial anti-poverty effect, although the fact that UC is paid regardless of income means that the program is not a target-efficient way to reduce poverty.

B. RECEIPT OF BENEFITS FROM TRANSFER PROGRAMS

This section reports data on the collection of benefits from transfer programs by households containing FSB and SUA recipients. The primary focus is on receipt while the respondent also collected FSB or SUA benefits, although data are also reported for the period between January 1975 and the date of the interview in March 1976. Since the data were collected for the household (to compute household income), not all the benefits collected in any one category were actually received by the FSB or SUA recipient.

However, since most recipients did not live in extended households, most of the benefits collected did go to FSB or SUA recipients or their immediate families.

The data reported in Table IV.1 show that the majority of households did not receive benefits during the time when FSB or SUA was collected. The major programs or groups of programs, in terms of the percentage of households receiving benefits, were Social Security and pensions, UC benefits for other family members, and Food Stamps. Of both FSB and SUA households, 12 to 14 percent received Social Security benefits and 7 to 8 percent received pensions (private, civil service or military). Receipt of benefits from these sources was, of course, concentrated among households of older UC recipients. Of those 55 years or older, 57 percent of those on FSB and 40 percent of those on SUA lived in households that received Social Security benefits. For pensions, the comparable figures were 31 percent for FSB and 22 percent for SUA. At the start of FSB or SUA, benefits from these programs averaged (across the whole sample) \$13 a week for FSB and \$10 a week for SUA recipients. For those who received these benefits, they were worth approximately \$63 a week for FSB households and \$56 a week for SUA households. The data reported in Table IV.2 on receipt at any time between January 1975 and the interview date (March 1976) naturally show more households receiving either Social Security or pensions over the whole period than received them while on FSB or SUA, but the increase was small.

As mentioned in the introduction, Congress recently passed (as part of PL 94-566) a provision to reduce UC benefits dollar for dollar by the value of pension and Social Security income received by the UC recipient. This provision, had it been in effect in 1975, would have affected 12 percent

TABLE IV.1
 PERCENTAGES OF FSB AND SUA SCHOOL WORKERS' AND NON-SCHOOL
 WORKERS' HOUSEHOLDS RECEIVING TRANSFER BENEFITS WHILE
 THE RESPONDENT RECEIVED FSB OR SUA

Transfer Program	FSB Recipients	SUA School Workers	SUA Non-School Workers
Supplemental Unemployment Benefits (SUB)	2.3%	1.5%	1.3%
Workmen's Compensation	1.1	0.8	1.3
UC Benefits for Other Household Members	4.9	2.2	6.1
Social Security or Railroad Retirement	14.0	12.6	11.7
Pensions	8.3	7.3	6.6
Training and Education Allowances	2.6	1.1	2.9
Non-Pension Veterans' Benefits	1.6	1.8	1.8
AFDC/AFDC-U	2.6	1.6	4.5
Supplemental Security Income (SSI)	1.2	1.2	0.8
General Assistance or Other Welfare	1.4	0.8	1.5
Food Stamps	9.0	4.6	13.1
Weighted Sample Size	6,806	2,169	1,762

TABLE IV.2
PERCENTAGES OF FSB AND SUA SCHOOL WORKERS' AND NON-SCHOOL
WORKERS' HOUSEHOLDS EVER RECEIVING TRANSFER BENEFITS BETWEEN
JANUARY 1975 AND MARCH 1976

Transfer Program	FSB Recipients	SUA School Workers	SUA Non-School Workers
Supplemental Unemployment Benefits (SUB)	5.1%	2.5%	2.4%
Workmen's Compensation	2.5	1.4	2.6
UC Benefits for Other Household Members	8.8	6.0	10.7
Social Security or Railroad Retirement	18.2	15.0	13.9
Pensions	10.8	8.2	8.5
Training and Education Allowances	4.3	1.7	4.7
Non-Pension Veterans' Benefits	2.2	2.4	2.4
AFDC/AFDC-U	4.1	2.2	6.4
Supplemental Security Income (SSI)	1.9	1.5	1.5
General Assistance or Other Welfare	3.1	1.1	2.6
Food Stamps	16.2	6.0	18.3
Medicare	7.3	5.0	5.7
Medicaid	8.9	3.8	11.4

TABLE IV.2 (Continued)

Transfer Program	FSB Recipients	SUA School Workers	SUA Non-School Workers
Subsidized School Lunches	10.6	9.4	14.0
Public Housing and Other Subsidized Housing	4.5	3.9	7.5
Social Services	4.2	1.6	5.3
Private Charity (Friends, Church, or Charitable Organizations)	14.0	4.7	15.3
Weighted Sample Size	6,806	2,169	1,762

of the FSB recipients and 8 percent of each group of SUA recipients. These were the individuals who stated that they--as opposed to someone else in the household--received either a Social Security^{1/} or pension benefit at any time while receiving Unemployment Compensation.^{2/} Over half (55 percent) of the FSB and non-school worker SUA recipients and 74 percent of the school worker recipients who received these benefits, would have been made completely ineligible for UC by this provision. The remainder did not have high enough pension or Social Security benefits to have their UC benefit reduced to zero. The affected individuals were, as one would expect, primarily aged 55 or over. For individuals in the sample aged 65 or over 70 percent or more would have been affected by this provision. Interestingly, relatively few of the affected individuals considered themselves retired.^{3/} Among those on FSB, 40 percent fell into this category, while only 12 to 16 percent of those on SUA were classified as retired.

Turning to UC benefits for other family members, we find that these benefits were received at the same time that the respondent received FSB or SUA by 5 percent of the FSB households, 2 percent of the school worker SUA households, and 6 percent of the non-school worker SUA households. Most were received by the spouse of the respondent. Other employee-related benefits such as SUB (Supplemental Unemployment Benefits) and Workmen's Compensation were received by few households. Most SUA recipients did

^{1/} The provision in the law will apply only to the retirement portion of Social Security. Although our data did not allow us to distinguish among the various portions of the Social Security program, we expect most Social Security recipients to have fallen in that category.

^{2/} For FSB recipients, this period included receipt of regular UI or EB.

^{3/} We counted in this group those who said they were retired at the date of the interview and those who said they never expected to return to work.

not work in industries that have SUB benefits, and most FSB recipients who collected SUB benefits had them run out prior to the start of FSB. In any case, the numbers are small; 2 percent of those on FSB reported receipt of SUB benefits while collecting FSB; another 2 percent reported receipt during 1975 prior to the start of FSB.

Cash welfare benefits--AFDC, SSI, and General Assistance--were also received by very few households while they were on FSB or SUA. Breakdowns by family type show, however, that AFDC receipt among female-headed families was considerably higher (15 percent of those on FSB and 9 percent of those on SUA). Receipt of Food Stamps was substantially more widespread, reflecting the availability of the program to all types of families. Nine percent of FSB households, 5 percent of SUA school worker households, 13 percent of other SUA households received these benefits at the same time they received FSB or SUA. Receipt of means-tested benefits at any time between January 1975 and March 1976 (see Table IV.2) was, of course, higher, but the differences were not great.

The data in Table IV.2 also report receipt of benefits between January 1975 and the date of the interview for a number of programs for which we did not collect detailed information on the timing of benefit receipt. (For these programs, therefore, we cannot say for certain whether the benefits were received at the same time as FSB or SUA.) These data show that in-kind welfare benefits such as Medicaid, subsidized school lunches, and subsidized housing (mainly public housing) were received by some respondent households. Four to 11 percent received Medicaid, and another 5 to 7 percent received benefits from the non-means-tested medical program for the elderly, Medicare. The percentages who received subsidized school lunches were

11 percent for FSB, 9 percent for school worker SUA households, and 14 percent for non-school worker SUA households. When translated into the percentage of households with school-age children, we find that among those on FSB, 27 percent of such households received these benefits. For school worker and non-school worker SUA households, the percentages were 19 and 29, respectively.

Finally in our list of benefits, 14 percent of those on FSB, 5 percent of school workers on SUA and 15 percent of non-school workers on SUA received help from friends or relatives, church, or private charitable organizations. The vast majority of this aid (80 to 90 percent) came from friends or relatives and most of it was in the form of loans (76 percent of the respondents reported that they were expected to pay back the money).

The data for the two groups on SUA--school workers and others--show that, for all welfare benefits and other income-related benefits like private charity, the non-school workers had a much higher rate of receipt than the school workers. This is to be expected, given the differing income levels of these two groups. (Income data are presented in Chapter II.)

Data on the percentage of FSB and SUA recipients whose households received multiple benefits from transfer programs at the same time that the respondent received FSB or SUA are reported in Table IV.3, for those programs for which data on the timing of receipt are available. These data show that just over 36 percent of the households that included either an FSB recipient or a non-school worker on SUA and about 26 percent of SUA school workers' households received any transfer benefits from one or more programs other than FSB or SUA. For all groups, less than 16 percent received one or more means-tested benefits. Most households which received additional benefits received them from only one other source.

TABLE IV.3

DISTRIBUTION OF PSB AND SUA SCHOOL WORKERS' AND NON-SCHOOL
WORKERS' HOUSEHOLDS RECEIVING MULTIPLE TRANSFER BENEFITS WHILE
THE RESPONDENT RECEIVED PSB OR SUA

Number of Benefits Other than UC	PSB Recipients		SUA School Workers		SUA Non-School Workers	
	All Transfers ^{a/}	Means-Tested Transfers ^{b/}	All Transfers ^{a/}	Means Tested Transfers ^{b/}	All Transfers ^{a/}	Means-Tested Transfers ^{b/}
0	63.9%	88.9%	73.6%	93.5%	63.1%	84.1%
1	24.6	8.2	18.3	4.7	24.5	12.0
2	9.9	2.8	6.8	1.6	10.0	3.7
3	1.4	0.2	1.1	0.1	2.2	0.2
4	0.2	0.0	0.1	0.0	0.2	0.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	6,828	6,828	2,173	2,173	1,766	1,766

^{a/} Programs counted were SUB, Workmen's Compensation, UC for other family members, Social Security or Railroad Retirement, civil service pensions, military pensions, other pensions, GI bill, other education and training, allowances, other veteran's benefits, AFDC-U, AFDC, SSI, GA or other welfare, and Food Stamps.

^{b/} Programs counted were AFDC-U, AFDC, SSI, GA or other welfare and Food Stamps.

Adding to this calculation the benefits from programs for which timing data were not available (Medicaid, housing subsidies, and school lunch subsidies) we find that, at most, 23 percent received one or more means-tested benefits. By category, 17 percent of those on FSB, 13 percent of school workers on SUA and 23 percent of non-school workers on SUA received means-tested benefits. We can conclude that the data on receipt of benefits from means-tested transfer programs for FSB and SUA recipients do not support the contention that large percentages of Unemployment Compensation recipients are receiving multiple benefits. Consequently, such receipt does not appear to create a major work disincentive problem for the average FSB or SUA recipient.

C. ELIGIBILITY FOR TRANSFERS DURING RECEIPT OF UC

This section examines the extent to which FSB and SUA recipients were eligible for means-tested transfer programs at the same time that they collected Unemployment Compensation. Data reported in the previous section showed that few FSB and SUA households actually received benefits from most of these programs while the respondents collected UC. Since it is possible that many more recipients and their families were eligible for, than actually collected, benefits, the analysis in this section will focus on eligibles rather than being restricted to recipients.

Interest in the question of eligibility for means-tested programs arises partly from a concern that benefits from these programs combined with Unemployment Compensation might pose substantial work disincentives

for UC recipients.^{1/} Most discussions of work disincentives have centered on the disincentives caused by individual programs such as UC. As stated earlier, we expand the analysis in this chapter and the next to consider the impact of benefits from multiple programs.

For this analysis we are interested in including all programs that are means-tested or work-conditioned; that is, the programs of interest are those whose benefits would be lost or reduced if the UC recipient were to become reemployed. The list of programs that meet this criterion is quite long. We have had to choose a subset of these programs for analysis. Our two major criteria for selection were: (1) to select the programs that are most important in terms of size (i.e., cost and caseload), and (2) to select programs that proved tractable for analysis. The first criterion led to the selection of the AFDC program, Supplemental Security Income program (SSI), Food Stamps, Medicaid, means-tested Veterans' Benefits,^{2/} General Assistance, housing programs, and the retirement portion of OASDI. This last program was included in the list because of the retirement test for recipients aged 62 through 71. Any Social Security recipient in this age bracket who worked had his or her Social Security

^{1/}We are also interested in this question to determine if, in the absence of the emergency extensions of UC in December 1974, recipients of those extensions would have been provided adequate income support by the current set of means-tested programs. This is discussed in Section D of this chapter.

^{2/}Benefits from the program of pensions for veterans with non-service connected disabilities were calculated. Benefits from the similar program for widows were not included because it was too difficult to collect, on the interview, the data necessary for benefit calculation.

benefits reduced in 1975 by 50 cents for every dollar earned in excess of \$200 per month.

The second criterion led us to drop General Assistance and the housing programs from the above list. The rules for determining benefits in both these types of programs vary tremendously across states and even within states. Receipt of benefits from housing programs (public housing, rent subsidies, etc.) is dependent not only on the applicant's income, but also on the local availability of housing projects or programs. Eligibility for benefits from General Assistance in many states is dependent on local discretion and availability of local tax revenues. Aggregate benefits from these programs are small, however, and as shown in Section B, few FSB and SUA households received them in any case. In calendar year 1974, benefits from all HUD housing programs and General Assistance made up only 3 percent of benefits paid in all the programs on our initial list. (Excluding the retirement portion of Social Security from the base, the percentage is 10 percent.)^{1/}

In order to analyze the importance of the programs listed above, it was necessary to calculate how many UC recipients would have been eligible for each program and, for the eligibles, the values of prospective benefits. This calculation was done separately for each household in our sample. The imputation of eligibility and benefits focused on potential program filing units containing the respondents, because of our interest in the benefits

^{1/} The data on expenditures come from "Handbook of Public Income Transfer Programs: 1975," Studies in Public Welfare, Paper No. 20, Joint Economic Committee.

that UC recipients could receive while on UC that they might lose if they became reemployed. For example, if the respondent was a member of a household with a grandparent who was eligible for SSI, we did not count the household as being SSI eligible. Only if the respondent or his or her spouse were eligible was the household recorded as SSI eligible.^{1/}

The first step in estimating the eligibility for most of the listed programs was to determine whether the respondent was a member of a program filing unit that was categorically eligible. For example, for regular AFDC, children--as defined by each state--must be present and they must be deprived of the support of one parent, either through absence or incapacity. For SSI, the respondent or the spouse must have been over age 65.^{2/}

The next step in the imputation was to determine the income of the filing unit (as defined by each program), adjusted for any disregards and deductions. For this step, income at first benefit receipt was used. This point in time was chosen as being common to all recipients in our sample, since all had received at least one payment under the emergency programs. Next, a benefit was computed using the appropriate benefit calculation given the filing unit size and state. A final set of calculations was made using an asset test to determine eligibility.^{3/} All imputed benefits

^{1/}For SSI, eligibility of the respondent's spouse was included because the benefits to the spouse are dependent on the income of the respondent.

^{2/}We estimated eligibility for the aged portion of the SSI program only; eligibility for the disabled and blind portions of SSI depends on such a strict definition of disability that it is highly improbable that anyone with a work history, such as an FSB or SUA recipient, would be considered disabled within the SSI meaning of the term.

^{3/}No asset test was used for Veterans' Benefits. The test used in that program states that all assets likely to be depleted in the applicant's lifetime are allowable. It was felt that this test would not restrict benefits to anyone in our sample.

reported in later sections restrict benefits to those who are eligible on the basis of both the asset and income test. In this section, eligibility is reported both with and without the asset test to allow an assessment of its importance.^{1/}

The relationship between AFDC-U and UC requires some explanation. Until recently, families with a father who was eligible for both Unemployment Compensation and the unemployed father segment of AFDC (AFDC-U) were not allowed to collect AFDC-U benefits. In June 1975, the Supreme Court ruled that these families could choose whichever program they desired (they would presumably choose the one with higher benefits) but that they could not collect benefits from both programs at the same time.^{2/} In our

^{1/} Estimation of eligibility for two of the programs, Social Security and Medicaid, differed slightly from this general description. For the retirement portion of OASDI, eligibility is reported only for respondents between ages 62 and 71 since they are the only ones subject to the work test. The percent eligible was determined by adding together respondents who reported receipt of Social Security income by their household and who stated that they were the recipient, and respondents who said that they were eligible for Social Security but did not receive benefits. Estimation of Medicaid eligibility differed because the income definition allows the deduction of medical expenses. In some states, anyone who is categorically eligible can collect Medicaid benefits regardless of income if medical expenses are high enough. Once one has paid enough medical bills to reduce income minus medical expenses to below the income eligibility level, Medicaid will pay the remainder of the bills. Clearly, however, for many people who are categorically eligible, the benefits are worth very little. For our purposes, we assigned income eligibility to anyone whose family income was less than the income cutoff plus the insurance value of Medicaid. The insurance value is defined as the mean Medicaid benefit times the probability of becoming sick. This was done separately for the aged and non-aged populations to account for their differing medical expenses.

^{2/} Recent legislation (PL 94-566) will allow collection in the future of benefits from both programs. When the father in an AFDC-U eligible family is also eligible for UC, he will be required first to collect UC. The AFDC-U program will then supplement this benefit up to AFDC-U payment levels if they are higher.

imputations of eligibility for AFDC-U we have decided, since our focus is on UC recipients, to assume that since our recipients collected UC benefits they were not eligible for AFDC-U. Presumably, if AFDC-U were more generous, they could have switched programs and not collected UC. The imputation of eligibility in the absence of UC (see Section D of this chapter), of course, allows for eligibility for AFDC-U.

The results of the imputation of eligibility are reported in Table IV.4. The data show that--with the exception of Food Stamps--relatively few of either the FSB or SUA recipients were eligible, counting both the income and asset test, for any of the programs. Less than 2 percent of those on FSB were eligible for AFDC, 2 percent were eligible for SSI, 7 percent were eligible for Medicaid, one-half of one percent were eligible for means-tested Veterans' Benefits, and 6 percent were eligible for Social Security. The numbers eligible were similar for SUA recipients, being slightly higher for AFDC and lower for Social Security. This last result reflects the fact that both groups on SUA have a smaller percentage of individuals aged 62 to 71 than those on FSB. The percent eligible for Food Stamps was substantially higher. For FSB, 31 percent were eligible for Food Stamps. Among those on SUA, 24 percent of the school worker group and 39 percent of the remainder were eligible. When compared to the data on actual receipt, we find that 20 to 33 percent of those eligible received Food Stamp benefits.

None of these results is particularly surprising. All the programs other than Food Stamps are available only for families that fall into certain categories, and few of the surveyed families were categorically eligible. The impact of the categorical requirements shows clearly when

TABLE IV.4

PERCENTAGES OF FSB AND SUA SCHOOL WORKERS' AND NON-SCHOOL WORKERS'
HOUSEHOLDS ELIGIBLE FOR SELECTED TRANSFER PROGRAMS WHILE
RECEIVING UNEMPLOYMENT COMPENSATION

Transfer Program	FSB Recipients	SUA School Workers	SUA Non-School Workers
AFDC/AFDC-U			
Categorically Eligible			
AFDC Regular	5.4%	7.8%	6.9%
Income Eligible	1.8	2.3	2.4
Income and Asset Eligible	1.6	1.7	2.2
SSI			
Categorically Eligible	10.2	6.2	5.4
Income Eligible	2.6	2.8	1.8
Income and Asset Eligible	1.9	2.0	1.5
Food Stamps			
Income Eligible	34.5	27.8	42.6
Income and Asset Eligible	31.4	24.2	39.4
Medicaid			
Categorically Eligible	12.2	10.2	9.7
Income Eligible	8.7	9.1	7.9
Income and Asset Eligible	7.1	7.3	7.3
Means-Tested Veterans' Benefits			
Categorically Eligible	2.0	0.2	0.5
Income Eligible	0.5	0.0	0.3
Social Security Retirement Portion ^{a/}			
	5.9	4.6	2.3
Weighted Sample Size	6,006	1,927	1,540

^{a/} This includes individuals eligible for, or collecting benefits from, the retirement portion of OASDI who were subject to the earnings test (i.e., they were between ages 62 and 71, inclusive).

the eligibility data are examined by family type (see Appendix 8 for detailed tables). Food Stamps, in contrast, are available to all households, with the levels of income and assets being the only determinants of eligibility. Finally, we should note that the asset test reduces eligibility by only a small percentage for any of our programs.

While the above data show that (with the exception of Food Stamps) few recipients of either FSB or SUA were eligible for any of the means-tested programs, our main interest is in comparing the value of these potential benefits together with the value of Unemployment Compensation to the value of pre-UI earnings. This analysis is presented in the next chapter, where the concept of the wage-replacement ratio is fully described and discussed.

Briefly, that discussion shows that benefits from the means-tested or work-conditioned programs included in this section were worth, on average, 5 to 6 percent of the after-tax earnings potential of FSB or SUA recipients. These numbers suggest that, in the aggregate, the overlap between UC and current income-conditioned programs does not in itself create a severe work disincentive problem. However, the data also show that, for those individuals who were eligible for the cash transfer programs discussed here (AFDC, SSI, Veterans' Benefits, and Social Security), the combined effect of UC and these transfer benefits lead to very high net wage-replacement ratios. For these individuals--they were 6 to 10 percent of each of our samples--the mean ratio of UC plus transfers to pre-UI wages net of taxes and work-related expenses was 105 percent for FSB recipients, 115 percent for SUA school workers, and 98 percent for other SUA recipients. For

individuals who were only eligible for Food Stamps, the ratios were considerably lower--being only 7 to 9 percentage points higher than the mean net replacement ratio before the inclusion of means-tested transfers.

Over the past decade, a number of proposals have been advanced to reform the current means-tested transfer system. One feature of many of these proposals has been to remove most of the categorical restrictions of the current system and make benefits available to all indigent individuals or families. To gain some information as to the effect such a reform would have, we can estimate what overlap in benefits would have occurred for recipients of FSB or SUA if such a program had been available to them.

To investigate this question, we have estimated how many FSB or SUA individuals and their households in the sample would have been eligible at the date of first payment for a negative income tax plan (NIT) with a guaranteed annual income of \$3,600 for a household of size four, a reduction in NIT benefits by 50 cents for every dollar of earned income, and by 60 cents for every dollar of other income, including UC. This particular plan was designed by HEW in 1974 and is similar to other proposals that have been made in recent years.^{1/} The results of this simulation were that 35 percent of the FSB households, 26 percent of SUA school worker households, and 42 percent of other SUA households would have been eligible for this NIT at the same time that they collected FSB or SUA benefits. These numbers are only slightly higher than the Food Stamp eligibility numbers presented

^{1/} The plan specifications are contained in "INCOME SUPPLEMENT PROGRAM: The 1974 HEW Welfare Replacement Proposal," Technical Analysis Paper No. 11, Office of Income Security Policy, Office of the Assistant Secretary for Planning and Evaluation, DHEW (forthcoming). This plan also envisioned the possibility of state supplements to those individuals eligible for current programs. We simulated the effect of this component of the plan by assigning families their current means-tested benefits if they were higher than the proposed negative income tax benefits.

above. However, since the NIT benefits are generally larger than Food Stamp benefits, particularly for those with the lowest incomes, the effect on wage-replacement ratios would have been greater under this system than under the current means-tested transfer system.

The analysis presented here and elsewhere in this chapter depends a great deal on our ability to impute eligibility for and benefits from a number of programs. Although we have no outside check on the imputations, we can make a couple of points about their strengths and weaknesses.

First, the data collected in the survey permit us to take into account all the major components of income, work-related expenses, and asset holdings. The detailed data we have used in the imputations far exceeds that used in most other work of this kind.^{1/} Items either judged to have a small impact in determining the number of eligibles or deemed to be of little relevance to UC recipients were not collected, so as to keep the survey to a manageable length (for example, we did not collect detailed data on disability for the determination of SSI eligibility). Extensive data were collected on many items, such as the cost of housing including utilities, which were used in the calculation of AFDC guarantees and Food Stamp deductions from income.

The major weakness of the imputations relates to the timing of the eligibility calculation. We wanted to estimate eligibility and benefits at the start of FSB or SUA. The most important data for eligibility--

^{1/} For example, our data base is considerably more detailed than data from the March CPS, which are regularly used by the federal government to estimate eligibility for all the major income maintenance programs.

income data--were collected retrospectively.^{1/} Most of the data on household composition, assets, and expenses, however, are as of the date of the interview. Since the values of these variables change less rapidly than income, in designing the interview we felt that the inherent approximations were acceptable given the complexity of questions necessary for collection of retrospective data,^{2/} and the chance of recall error.

D. ELIGIBILITY AND BENEFITS FROM MEANS-TESTED TRANSFERS IN THE ABSENCE OF UC BENEFITS

In this section, we investigate the extent to which the current set of means-tested transfer benefits would have provided income support to FSB and SUA beneficiaries if Unemployment Compensation benefits had not been extended to these groups in December 1974.^{3/} This question is of interest because one argument for these extensions rested on the assumption that current means-tested transfer programs would not have provided adequate income support to families with an unemployed member. Extension of UC benefits was seen by some as an effective way to meet this need. If,

^{1/} The only income items not collected retrospectively were earnings of people in the household other than the respondent and the spouse. However, even for these data, an adjustment was made if the individual went to work as a result of UC benefit exhaustion.

^{2/} In the case of assets, attempts were made in the interview to collect data that related to the period when the respondent was on UC. Since these data were thought to be of poorer quality than the data for the current time period, they were not used for the main eligibility calculations. The effect of their use is reported in Appendix 8.

^{3/} This analysis makes the assumption that there would have been no behavioral response to the lack of extensions. To the extent that FSB or SUA recipients or their families would have increased their other income in the absence of the UC extensions, the data presented here overstate the percent who would have had family incomes below the poverty line in the absence of UC. We believe, however, that the assumption of no behavioral response does not affect the qualitative conclusions of this section.

instead, means-tested transfer programs would have provided adequate income support to those with low incomes, the argument for extending UC during recessionary periods is weakened. This applies, in particular, to the extension of benefit duration (the FSB program), as opposed to the extension of coverage (the SUA program). We analyze this issue for both groups, however, since one might argue that extension of UC to the uncovered population is unnecessary if other programs are available.

The discussion in this section analyzes the UC program in terms of its impact on the income of a recipient's household. This focus on the effect of UC on poverty alleviation was chosen because our aim in this section is to compare UC with programs specifically designed to reduce poverty. Although UC is not solely designed with this aim in mind, it does perform this function; and this was one of the roles the FSB and SUA programs were intended to fulfill.

We have chosen to compare the benefits from four means-tested programs with UC benefits. These programs include the three major income maintenance programs that provide cash or "near" cash benefits--AFDC, SSI, and Food Stamps--and the means-tested program for veterans. Eligibility for Medicaid benefits is also reported but the benefits were not included in the comparison because of the difficulty of valuing these in-kind benefits.^{1/} Although Social Security benefits paid to individuals subject to the Social Security work test were imputed for the wage-replacement analysis, they were not included here unless the respondent actually

^{1/} Benefits were imputed using the insurance values of benefits (Medicaid expenditures/eligibles). Use of these benefits in the analysis does not alter the results substantively.

received benefits. In that case, they counted as part of household income. The focus for this analysis is on benefits that would be received if UC were not available. Social Security benefits are available regardless of whether or not UC is received; they are means-tested only with regard to earnings, not with regard to other income such as Unemployment Compensation.

The results of this analysis are reported in Tables IV.5 and IV.6. The data on eligibility show that, compared with the period of FSB or SUA receipt (see Table IV.4), considerably more of the respondents would have been eligible for benefits in the absence of UC. The major changes in eligibility occurred for AFDC, Medicaid, and Food Stamps. For the other two programs, very few UC recipients would have been eligible in either situation. The changes in both AFDC and Medicaid occurred primarily because families would have been eligible for AFDC-U in the absence of UC, and eligibility for AFDC-U makes them categorically eligible for Medicaid. For both AFDC and Medicaid, however, the percentages eligible would still have been fairly low.

For FSB, about twice as many families would have been categorically eligible for AFDC-U as for regular AFDC (10 percent as compared to 5 percent). Including income and asset tests, 10 percent of FSB families would have been eligible for AFDC,^{1/} and 17 percent for Medicaid. For SUA school workers, the figures are 4 and 9 percent, respectively. For other SUA recipients, they are 11 and 16 percent. As was shown by the data presented in Section B on receipt of transfers, the school workers on SUA differed

^{1/} This figure includes eligibility for regular AFDC and AFDC-U.

TABLE IV.5

PERCENTAGES OF FSB AND SUA SCHOOL WORKERS' AND NON-SCHOOL WORKERS'

HOUSEHOLDS ELIGIBLE FOR SELECTED TRANSFER PROGRAMS IF

UNEMPLOYMENT COMPENSATION HAD NOT BEEN AVAILABLE

Transfer Program	FSB Recipients	SUA School Workers	SUA Non-School Workers
AFDC/AFDC-U			
Categorically Eligible			
AFDC Regular	5.4%	7.8%	6.9%
AFDC-U	10.1	1.2	9.2
Income Eligible	12.3	5.5	12.9
Income and Asset Eligible	9.7	4.2	10.7
SSI			
Categorically Eligible	10.2	6.2	5.4
Income Eligible	5.2	3.7	3.3
Income and Asset Eligible	3.5	2.7	2.8
Food Stamps			
Income Eligible	64.8	46.6	66.8
Income and Asset Eligible	56.8	39.1	59.8
Medicaid			
Categorically Eligible	23.9	12.5	20.0
Income Eligible	19.6	11.7	17.9
Income and Asset Eligible	16.8	9.4	16.1
Means-Tested Veterans' Benefits			
Categorically Eligible	2.0	0.2	0.5
Income Eligible	1.4	0.1	0.5
Weighted Sample Size	6,316	1,927	1,640

TABLE IV.6

DISTRIBUTION OF FSB AND SUA SCHOOL WORKERS' AND NON-SCHOOL
WORKERS' HOUSEHOLDS BY SIZE OF INCOME RELATIVE TO POVERTY THRESHOLD
AT START OF FSB OR SUA, FOR SELECTED MEASURES OF INCOME^{a/}

Ratio of Income to Poverty Line	FSB Recipients			SUA School Workers			SUA Non-School Workers		
	Actual Income	Income plus Imputed Transfers	Income minus UC plus Im- puted Transfers	Actual Income	Income plus ^c Imputed Transfers	Income minus UC plus Im- puted Transfers	Actual Income	Income plus Imputed Transfers	Income minus UC plus Im- puted Transfers
0.0-0.5 ^{b/}	4.5%	0.6%	25.1%	8.4%	0.0%	16.9%	8.4%	1.7%	27.1%
0.5-1.0	17.5	16.4	14.0	16.1	14.1	11.3	23.4	25.4	16.2
1.0-1.5	20.6	22.2	18.8	11.5	14.5	14.8	17.8	19.1	18.5
1.5-2.0	14.1	14.8	12.6	13.2	15.0	13.5	14.6	15.3	14.0
2.0-3.0	20.1	21.4	15.5	20.5	22.6	22.4	19.4	21.0	14.0
3.0-4.0	11.8	12.6	8.0	17.4	18.8	13.2	8.8	9.6	6.4
4.0 and Over	11.2	12.1	5.8	13.0	14.2	7.8	7.5	7.9	3.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	6,680	5,816	6,094	2,129	1,822	1,822	1,722	1,456	1,457

^{a/} All income measures include the bonus value of Food Stamps. Income from this source is currently not counted in the official U.S. Government definition of income.

^{b/} If a ratio of income to the poverty line, calculated to several decimal points, equalled the end point of a specified range, that observation was assigned to the lower category.

significantly from the remainder of those on SUA. The difference in this case occurred primarily because there were very few AFDC-U categorical eligibles among SUA school workers.

For Food Stamps, many more of the respondent households would have been eligible. Fifty-seven percent of FSB recipients' households, 39 percent of the SUA school workers, and 60 percent of the SUA non-school workers would have been eligible in the absence of Unemployment Compensation. Note also that, for this situation, the asset test was more important than it was for those eligible when UC benefits were counted. This is expected since, by subtracting UC benefits from income, we were implicitly extending eligibility to those with higher previous incomes and hence larger assets.

Since AFDC and SSI eligibility imply eligibility for Food Stamps and Medicaid, and since anyone who is defined as medically needy (i.e., not eligible for AFDC or SSI but eligible for Medicaid) is likely to be eligible for Food Stamps, we can calculate that approximately 17 percent of those on FSB, 9 percent of SUA school workers, and 16 percent of SUA non-school workers would have been eligible for two or more programs. Ignoring Medicaid, those eligible for two or more programs would have been 13, 7, and 14 percent for FSB, SUA school, and other SUA recipients, respectively. Thus, very few would have been eligible for more than one program that provides cash or, in the case of Food Stamps, "near" cash benefits. The bulk of the recipients with low incomes would have been eligible only for Food Stamps.

Despite these low eligibility rates, it is possible that the benefits might have been concentrated on those with the lowest household

incomes and that we might still conclude that extensions of UC are not necessary to maintain incomes at some minimal level. To investigate this issue, we imputed benefits from transfer programs assuming full utilization and examined the distribution of household income relative to the poverty line at the date of first receipt of FSB or SUA. The results are reported in Table IV.6. Three income distributions are shown for each program. The first uses actual income received at the start of FSB or SUA, including the bonus value of Food Stamps;^{1/} the second adds imputed transfers to this income using transfer benefits that UC recipients were eligible for; and the final one uses imputed transfers that UC recipients would have been eligible for in the absence of UC. The data clearly show that the current means-tested transfer system would not maintain household incomes at even a minimal level in the absence of UC benefits. For FSB recipients, 17 percent had incomes below the poverty line while on UC (counting imputed transfers), while 39 percent would have had income below poverty in the absence of UC. For SUA school workers, the corresponding figures are 15 percent and 28 percent, and for other SUA recipients they are 27 and 43 percent.

The fact that few of the FSB and SUA recipients were categorically eligible for the cash programs, and the fact that UC benefits are more generous than AFDC or SSI and Food Stamps for most recipients, are the

^{1/} These data are not comparable to standard government tabulations, which do not count any in-kind benefits as income. Food Stamps are included here because they are potentially an important income source for the population being examined. These data differ from those presented in Chapter II both because of the inclusion of Food Stamp bonus values and because of a difference in the time period used. The data in Chapter II refer to income in the year 1975, while these data refer to weekly income at the date of first receipt of FSB or SUA.

main reasons why the current means-tested transfer programs do not fill the gap in income that would be left if UC were not available. We should note, however, that while UC extensions do have an important anti-poverty effect for many recipients, some recipients have relatively high incomes. Counting UC, over 20 percent of FSB and SUA households had incomes more than three times the poverty level--for a family of four, this represented an annual income of about \$16,500. We can conclude, therefore, that although UC extensions do reduce poverty for UC eligibles better than the currently available means-tested programs, they do it inefficiently since substantial benefit also go to the non-poor.

As mentioned in the previous section, one feature of many proposed reforms of the current means-tested transfer system is to remove the categorical restrictions on eligibility for benefits. Since these restrictions are one of the main reasons why current means-tested programs do not fill the gap that would be left in income if UC were not available, we reexamined this question assuming the existence of the negative income tax proposal described earlier. If UC benefits had not been available, 63 percent of FSB households, 44 percent of SUA school worker households, and 65 percent of other SUA households would have been eligible for benefits under this NIT plan. These benefits would still not have equalled the anti-poverty role of the FSB and SUA extensions; 40 percent of FSB households, 26 percent of SUA school worker households, and 41 percent of other SUA households would, even with this NIT program, have had incomes below the poverty line. However, compared to the current means-tested transfer system, considerably fewer households would have had incomes below

one-half the poverty level. This is, of course, a direct result of:

(1) the level of guaranteed income chosen, and (2) the universal nature of the NIT proposal.

CHAPTER V
WAGE-REPLACEMENT AND LABOR MARKET
DISINCENTIVES

In this chapter we investigate the labor market disincentives posed by the FSB and SUA programs. Existence of such disincentives has been hypothesized on the basis of theoretical models of the job search process and there is a substantial body of empirical evidence on the labor market effects of regular UI benefits.^{1/} Because the emergency programs are relatively new, however, there are few empirical attempts to estimate their labor market impact.^{2/} The major purpose of this chapter is to investigate the extent to which data from the FSB/SUA survey can illuminate that issue.

Our investigation of labor market disincentives proceeds in two ways. In Section A we report on the extent to which UC benefits paid under the FSB and SUA programs replaced wages lost through unemployment. Such "wage-replacement ratios" attempt to estimate the true cost of being unemployed. A variety of adjustments were made to the usual gross wage-replacement ratios in order to approximate these costs more accurately.

^{1/} For a theoretical treatment see J.J. McCall, "Economics of Information and Job Search," Quarterly Journal of Economics, 84, 1, February 1970, 113-126 and D.T. Mortenson, "Job Search," The Duration of Unemployment and the Phillips Curve," American Economic Review, 60, 5, December 1970, 847-861. For a summary of the empirical evidence on the disincentive effects of regular UI see D. Hamermesh, Economic Issues in Unemployment Insurance Policy, Michigan State University, July 1976 (mimeo).

^{2/} Some initial evidence on the labor market impact of the FSB program is reported in A. Dillon and W. Nicholson, "A Job Search Model of the Effect of Extended Unemployment Insurance Benefits on Reemployment," paper presented at the annual meetings of the American Economic Association, Atlantic City, New Jersey, September 18, 1976. For similar evidence on the SUA program see B.R. Chiswick, "The Effect of Unemployment Compensation on a Seasonal Industry: Agriculture," Journal of Political Economy, 84, 3, June 1976, 591-602.

Of course, calculation of wage-replacement ratios, no matter how accurate, is not a test of the disincentive issue. The existence of high wage-replacement ratios only indicates that, for some individuals, continuing to be unemployed is relatively costless: the extent to which individuals respond to that disincentive cannot be measured by reference to the ratios themselves. In an effort to provide direct evidence on the behavioral implications of the wage-replacement offered by FSB and SUA benefits, Section B reports on a series of initial regression models. These focus on the labor market activities of FSB and SUA recipients and examine whether individuals with high wage-replacement ratios behaved differently from those with low ratios. The models also permit a detailed examination of the effects of other determinants of labor market activity.

Our results are briefly summarized here, before the details are presented in the sections that follow. While gross wage-replacement ratios were concentrated around the 50 percent "standard," consideration of taxes and work-related expenses both raised these ratios and made them more variable. The mean value of such "net" replacement ratios was 65 percent for FSB recipients, 76 percent for SUA school workers, and 69 percent for non-school SUA recipients. Adjusting the ratios for wage increases since the loss of the pre-UI job, fringe benefits, and the availability of other transfer benefits, changed the means only slightly. Regardless of the precise definition used, net wage-replacement ratios were found to be substantially higher than gross ratios; for some groups they were so high that they might be expected to pose substantial work disincentives. For example, among FSB recipients and non-school worker recipients of SUA,

seven out of ten married women had more than 60 percent of their net wage replaced by UC benefits. For SUA school workers the incidence of such high ratios was even greater. At the other extreme, 15 percent of FSB recipients and non-school workers on SUA had net replacement ratios under 40 percent; for them UC was presumably not an attractive alternative to employment.

Initial attempts to estimate the behavioral effects of differences in net wage-replacement ratios on labor market activity were ambiguous. Findings for some labor force measures and for some subsamples indicated significant negative disincentive effects, particularly for older FSB recipients and for SUA school workers who returned to their pre-UI jobs. These findings did not always hold when other methods of estimation were used, however. Further, the precision of most of the estimates was generally low. Estimated disincentive effects were relatively small in all the samples examined.^{1/}

A. WAGE REPLACEMENT RATIOS

Wage-replacement ratios have been used in the past both as a measure of the adequacy of UC benefits and as a measure of the cost to the recipient of becoming reemployed. The first use relates to the primary objective of UC to provide temporary income support to individuals who suffer an involuntary loss of their jobs. To meet this objective, the provision of gross replacement ratios (the unemployment benefit divided

^{1/}Since our samples contained only individuals who actually received benefits under the emergency programs, however, these results may not be indicative of the programs' overall effects.

by pre-employment gross earnings) of at least 50 percent for all recipients has been the target of many reforms of the UC system. More recently, attention has focused on net wage replacement in an effort to estimate "true cost" to workers of being without work and on UC. It has been suggested that such net replacement ratios may be so high as to pose substantial work disincentives.

Obviously, these two concerns conflict: the higher the replacement ratios the more adequate the benefits and, at the same time, the more likely is UC to create substantial work disincentives. These two uses of wage-replacement ratios suggest that we need to have two (possibly identical) measures of earnings. For benefit adequacy purposes, we want to compare the benefits available when not working to the earnings lost. For work disincentive purposes, we want to make the comparison to potential earnings. For our analysis, we have chosen to use earnings on the pre-UI job as the appropriate measure for both concepts.^{1/}

Data on the distributions of a number of different wage-replacement ratios are reported in Tables V.1 through V.4 for FSB, EB, SUA school workers, and other SUA recipients respectively. For FSB and SUA recipients, data are reported for seven different definitions of wage replacement and for EB recipients, comparison data are reported for five definitions.^{2/} A variety of definitions was chosen to illustrate the effects of broadening

^{1/} The job used was the one that the respondent said was the job on which his UC benefits were based. Data on temporary jobs held just prior to UC were not used. Results of calculations including these data, however, are quite similar to those reported here, since very few respondents had such jobs.

^{2/} Transfer benefits were not calculated for EB recipients.

TABLE V.1

DISTRIBUTION OF FSH RECIPIENTS BY SELECTED WAGE-REPLACEMENT RATIOS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Percentage of Wages Replaced	Gross Wage Replacement	Wage Replacement Net of Taxes	Wage Replacement Net of Taxes and Work-Related Expenses	(3) with Inflation Adjustment	(3) with Fringe Benefits	(3) with Imputed Transfers	(3) with Inflation, Fringes and Transfers
0-20 ^{a/}	1.9%	1.3%	1.3%	1.6%	1.4%	0.8%	1.1%
20-40	32.8	16.1	13.9	16.6	16.8	10.8	15.7
40-50	28.5	17.2	14.4	16.6	16.7	12.1	15.4
50-60	20.1	21.9	18.7	20.1	20.0	15.0	18.0
60-80	11.0	31.6	31.7	29.0	29.7	32.9	29.3
80 and Over	1.7	11.9	20.0	16.2	15.4	28.3	20.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent	46	58	65	61	61	71	64
Median Percent	45	57	61	58	58	67	60
Weighted Sample Size	6,674	6,214	6,227	6,207	6,228	6,227	6,207

^{a/} If a percentage of wages replaced, calculated to several decimal points, equaled the end point of a specified range, that observation was assigned to the lower category.

TABLE V.2

DISTRIBUTION OF ED RECIPIENTS, BY SELECTED WAGE-REPLACEMENT RATIOS

	(1)	(2)	(3)	(4)	(5)
Percentage of Wages Replaced ^{a/}	Gross Wage Replacement	Wage Replacement Net of Taxes	Wage Replacement Net of Taxes and Work-Related Expenses	(3) with Inflation Adjustment	(3) with Fringe Benefits
0-20 ^{a/}	3.7%	0.9%	0.9%	1.4%	1.3%
20-40	32.7	14.3	12.6	13.4	15.2
40-50	29.5	18.5	14.2	16.3	16.2
50-60	19.8	23.8	18.1	19.5	24.3
60-80	11.1	33.0	35.7	33.1	29.1
80 and Over	3.1	9.5	18.6	16.4	13.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent	46	59	66	64	62
Median Percent	45	57	62	60	57
Weighted Sample Size	988	743	743	742	743

^{a/} If a percentage of wages replaced, calculated to several decimal points, equalled the end point of a specified range, that observation was assigned to the lower category.

TABLE V. 1

DISTRIBUTION OF SDA SCHOOL WORKERS, BY SELECTED WAGE-REPLACEMENT RATIOS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Percentage of Wages Replaced	Gross Wage Replacement	Wage Replacement Net of Taxes	Wage Replacement Net of Taxes and Work-Related Expenses	(3) with Inflation Adjustment	(3) with Fringe Benefits	(3) with Imputed Transfers	(3) with Inflation, Fringes and Transfers
0-20 ^{a/}	0.9%	0.4%	1.1%	1.2%	1.3%	1.1%	1.3%
20-40	13.5	3.8	3.3	3.3	6.0	2.5	4.4
40-50	31.1	9.2	7.9	8.4	14.8	5.7	9.7
50-60	29.8	21.7	16.0	15.8	23.8	10.2	18.8
60-80	17.3	42.5	39.9	40.3	32.6	41.7	36.5
80 and Over	7.3	22.6	31.8	31.0	21.6	38.8	29.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent	54	70	76	76	68	82	75
Median Percent	52	67	71	71	63	75	69
Weighted Sample Size	2,205	1,963	1,955	1,948	1,955	1,955	1,948

^{a/} If a percentage of wages replaced, calculated to several decimal points, equalled the end point of a specified range, that observation was assigned to the lower category.

TABLE V.4

DISTRIBUTION OF SDA NON-SCHOOL WORKERS, BY SELECTED WAGE-REPLACEMENT RATIOS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Percentage of Wages Replaced	Gross Wage Replacement	Wage Replacement Net of Taxes	Wage Replacement Net of Taxes and Work-Related Expenses	(3) with Inflation Adjustment	(3) with Fringe Benefits	(3) with Imputed Transfers	(3) with Inflation, Fringes and Transfers
0-20 ^{a/}	1.6%	1.5%	1.5%	1.6%	1.5%	0.7%	0.8%
20-40	26.1	14.5	12.7	13.6	14.8	8.9	11.5
40-50	23.4	16.0	13.6	14.7	15.9	10.4	13.0
50-60	23.0	19.8	17.2	17.0	20.2	14.5	15.9
60-80	16.3	32.0	29.8	29.2	26.2	33.7	30.9
80 and Over	5.6	16.0	25.3	23.9	21.4	31.9	27.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent	50	62	69	68	66	74	71
Median Percent	48	59	63	62	59	69	66
Weighted Sample Size	1,711	1,620	1,625	1,618	1,625	1,626	1,618

^{a/} If a percentage of wages replaced, calculated to several decimal points, equalled the end point of a specified range, that observation was assigned to the lower category.

wage replacement from a gross to a net concept. Most of the detail presented is for a gross ratio and a ratio net of taxes and work-related expenses. These are two of the most common definitions used in discussions of Unemployment Compensation policy.

The first definition of wage replacement reported is the traditional one of gross wage replacement. The data in the tables show that, for all four samples, the mean gross ratio was close to the 50 percent standard. Approximately 50 percent of the EB, FSB, and non-school worker SUA recipients, and 60 percent of the school workers on SUA had ratios in the 40 to 60 percent range. In all samples except the school workers, over 30 percent of respondents had gross ratios less than 40 percent. The individuals were primarily relatively high wage earners whose UC weekly benefits were constrained by the state maxima. For example, among those on FSB, over half the individuals with gross replacement ratios less than 40 percent had weekly earnings of over \$200. Fewer school workers had these low wage-replacement ratios because, taken as a whole, their mean weekly earnings were lower than any of the other groups. Mean weekly earnings for SUA school workers were \$116--compared with \$129 for other SUA recipients, \$167 for EB, and \$170 for FSB recipients.

A frequent objection to gross wage-replacement measures is that taxes are not considered. Because wages are subject to a variety of income and payroll tax deductions whereas UI benefits are not, use of gross figures gives a misleading impression of the actual wages replaced. For this reason, income and payroll taxes were computed for the families in the sample. Marginal taxes^{1/} incurred by the family when the UC

^{1/} These include state income taxes where appropriate.

recipient is employed were estimated and used to construct an after-tax measure of net wages. The distributions of the percentage of wages replaced using this measure of wages are reported in column 2 of Tables V.1 through V.4. The mean percentages increased from 46 to 58 for FSB, 46 to 59 for EB, 54 to 70 for school workers on SUA, and 50 to 62 for others on SUA.

The third wage-replacement ratio carried this net concept one step further, and estimated earnings net of taxes and work-related expenses.^{1/} This adjustment raised mean wage-replacement ratios by about 7 percentage points for all groups (to 65 percent for FSB recipients, to 76 percent for SUA school workers and to 69 percent for others on SUA). For EB, FSB and non-school SUA recipients, over 50 percent had wage-replacement ratios greater than 60 percent; over 70 percent of school workers on SUA had ratios that high.

Interestingly, there was no major difference in the distribution of the net ratios for EB and FSB recipients. Since most of the EB group did not go on to collect FSB (at least not by the interview date), the work disincentive hypothesis suggests that FSB recipients should have, on average, higher wage-replacement ratios than EB recipients. These data do not, on the surface at any rate, support this hypothesis. This result may, however, obtain from the fact that we have not controlled for the differing compositions of the EB and FSB samples for this comparison. A more detailed description of this issue appears in the next section.

The last four wage-replacement ratios reported here take the ratio net of taxes and work-related expenses and make adjustments, separately,

^{1/} Work-related expenses include transportation and child care expenses. In-kind benefits such as free meals or lodging were added to income at the value estimated by the recipient.

for inflation in wages, fringe benefits, and transfer payments, and then for all three combined. The inflation adjustment was made because the end dates of the pre-UI jobs found in the sample extend over several years (1970 to 1975). Earnings on the pre-UI job may consequently understate current earnings potential. The inflation adjustment increased wages by the rate of wage inflation between the year the pre-UI job ended and 1975. As can be seen in the tables, this adjustment caused a small reduction in the mean replacement ratios for those on FSB and EB. There is an even smaller change for those on SUA, since almost all of them ended their pre-UI jobs in 1975.

Fringe benefits often represent a substantial percentage of the compensation from work, and this value is lost when an individual loses his or her job. Consequently, wage-replacement ratios should also be adjusted for this loss. To make this adjustment, we imputed the value of the employer contribution to pensions and profit-sharing plans, life insurance, and health insurance, if the respondents reported that they had received any of these benefits on their pre-UI jobs. Industry averages were used up to a limit of 20 percent of gross wages.^{1/} Compared to the ratio net of taxes and work-related expenses, this adjustment lowered the mean wage-replacement ratios by 4 percentage points for all groups except school workers on SUA. For that group the mean ratio was reduced by 8 percentage points, from 76 to 68 percent.

The final set of adjustments concerns benefits from the transfer programs discussed in Chapter IV. The value of benefits that could be

^{1/} Data for the fringe benefits came from Employees Benefits, 1973, Chamber of Commerce, Washington, D.C., 1974. The 20 percent constraint was chosen because it was felt that industry averages may considerably overstate figures for low wage individuals in our sample.

received from these programs while the beneficiary was on UC was added to the numerator.^{1/} The value of benefits available to the respondent if he or she was employed was also added to the denominator. Since the value of these benefits was determined by a benefit calculation that included any earnings of the respondent, their value is higher when UC is received. Consequently, wage-replacement ratios increase with this adjustment. Compared to the wage-replacement ratio net of taxes and work-related expenses, the mean ratio increased with imputed transfers by 5 to 6 percentage points. These gains were not, of course, shared equally by all recipients; those eligible for benefits (particularly those eligible for benefits from one of the cash transfer programs) had their ratios increased substantially whereas those not eligible did not.^{2/} Combining all our adjustments, we found that for FSB the mean wage-replacement ratio was 64 percent, for school workers on SUA it was 75 percent, and for others on SUA it was 71 percent.^{3/} Fifty percent of those on FSB had a ratio over 60 percent, and 17 percent continued to have a ratio lower than 40 percent. Among school workers on SUA, 66 percent had a ratio over 60 percent and only 6 percent had a ratio lower than 40 percent. For others on SUA, the comparable figures were 59 percent above a ratio of 60, and 12 percent below a ratio of 40. Thus, using our most complete concept of wage replacement, we find that a

^{1/} Medicaid benefits are not included in the ratios reported in the tables. Their inclusion raised the ratios only slightly.

^{2/} For example, imputation of transfer benefits for those FSB recipients eligible only for Food Stamps (26 percent of the FSB sample), raised the mean net replacement ratio for that group from 58 to 66 percent. For those FSB recipients eligible for one of the cash transfer programs (10 percent of the FSB sample), the increase was from 60 percent to 105 percent. Similar results were obtained for the other samples.

^{3/} Note that these means were quite similar to those reported for the ratio net of taxes and work-related expenses. The additional adjustments on average balance each other out.

majority of all groups had wage-replacement ratios over 60 percent; some individuals, however, still had very low ratios.

Data presented in Tables V.5, V.6 and V.7 show the distribution of wage-replacement ratios in more detail by family type. Two major ratios are reported--gross and net of taxes and work-related expenses. These data show that among FSB recipients, for every family type, the gross ratio means were higher for females than for males. This reflected the higher wage jobs held by males. For example, for husband-wife families, mean earnings on the pre-UI job were \$217 per week for husbands and \$142 per week for wives. Because of their higher wages, males were more likely to have their UC benefit constrained by state maxima. The same differences between the mean for men and women were apparent when we examined wage replacement net of taxes and work-related expenses. The differences were larger than for the gross ratios, reflecting the greater likelihood that women may incur child-care expenses with work, and that many women in the sample lived in families with another earner.^{1/} In FSB husband-wife families, the husbands had mean ratios of 56 percent and the wives mean ratios of 77 percent. Over 70 percent of the wives had a ratio of 60 percent or higher, whereas only 35 percent of the husbands fell into that category.

For those on SUA, the differences between men and women were not as pronounced. For non-school workers on SUA the general pattern was the same as that found for FSB (except for unrelated individuals, where men had higher mean replacement ratios than women). For school workers on SUA, the gross and net means for men and women were practically identical, except for husband-wife families, where the differences between men and women were again apparent.

^{1/} The presence of another earner in the families can increase the marginal taxes resulting from reemployment.

TABLE V.5

DISTRIBUTION OF FSB RECIPIENTS BY SELECTED WAGE-REPLACEMENT RATIOS, AND BY FAMILY TYPE

Percentage of Wages Replaced	Head of Household						Not Head of Household		
	Husband-Wife Families		Other Families		Unrelated Individuals		Male Respondent	Female Respondent	All FSB Recipients
	Male Respondent	Female Respondent	Male Respondent	Female Respondent	Male Respondent	Female Respondent			
Gross Ratio									
0-40	52.4%	24.9%	40.5%	20.0%	46.0%	22.5%	43.2%	17.8%	36.7%
40-60	36.4	57.1	42.0	63.9	40.3	60.3	43.0	66.5	48.6
60 and Over	11.2	18.0	17.5	16.1	13.7	17.2	13.8	15.7	14.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent	41	50	46	51	44	50	45	53	46
Wage Replacement Net of Taxes and Work-Related Expenses									
0-40	25.1%	5.7%	15.9%	7.6%	22.3%	9.5%	18.9%	6.6%	15.2%
40-60	39.9	21.4	43.0	27.6	39.5	35.1	40.8	29.9	33.1
60 and over	35.0	72.9	41.1	64.8	38.2	55.4	40.3	63.5	51.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent	56	77	58	72	57	64	57	70	65
Weighted Sample Size	1,858	1,846	97	297	540	397	827	364	6,227

^{a/} If a percentage of wages replaced, calculated to several decimal points, equalled the end point of a specified range, that observation was assigned to the lower category.

TABLE V.6

DISTRIBUTION OF SVA SCHOOL WORKERS BY SELECTED WAGE-REPLACEMENT RATIOS, AND BY FAMILY TYPE

Percentage of Wages Replaced	Head of Household						Not Head of Household		
	Husband-Wife Families		Other Families		Unrelated Individuals		Male Respondent	Female Respondent	All SVA School Workers
	Male Respondent	Female Respondent	Male Respondent	Female Respondent	Male Respondent	Female Respondent			
Gross Ratio									
0-40 ^{a/}	17.9%	12.9%	28.7%	13.0%	26.7%	16.8%	17.0%	20.9%	14.4%
40-60	60.5	62.3	45.0	59.1	49.2	62.0	40.5	58.1	60.9
60 and Over	21.6	24.8	26.3	27.9	24.1	21.2	42.5	21.0	24.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent	51	55	59	58	53	52	64	52	55
Wage Replacement Net of Taxes and Work-Related Expenses									
0-40 ^{a/}	4.2%	4.0%	18.6%	4.0%	6.0%	5.3%	4.0%	6.3%	4.4%
40-60	15.4	18.2	10.1	28.3	37.1	44.8	32.8	31.3	23.9
60 and Over	60.4	77.8	71.3	67.7	56.9	49.9	63.2	62.4	71.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent	68	80	72	73	67	64	79	66	76
Weighted Sample Size	141	1,252	15	179	41	145	40	115	1,252

^{a/} If a percentage of wages replaced, calculated to several decimal points, equalled the end point of a specified range, that observation was assigned to the lower category.

TABLE V.7

DISTRIBUTION OF SBA NON-SCHOOL WORKERS BY SELECTED WAGE-REPLACEMENT RATIOS, AND BY FAMILY TYPE

Percentage of Wages Replaced	Head of Household						Not Head of Household		All SBA Non-School Workers
	Husband-Wife Families		Other Families		Unrelated Individuals		Male Respondent	Female Respondent	
	Male Respondent	Female Respondent	Male Respondent	Female Respondent	Male Respondent	Female Respondent			
Gross Ratio									
0-40 ^{a/}	39.6%	28.2	27.4%	18.7%	34.5%	28.2%	35.7	20.6%	11.7%
40-60	39.6	48.5	58.1	60.9	39.0	49.9	45.6	53.9	46.4
60 and Over	20.8	23.3	14.5	20.4	26.5	21.9	18.7	25.5	21.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent	47	51	47	52	53	50	49	54	50
Wage Replacement Net of Taxes and Work-Related Expenses									
0-40 ^{a/}	18.8%	8.5%	19.2%	10.0%	17.3%	13.0%	20.2%	7.5%	14.2%
40-60	33.7	22.8	41.8	26.9	33.9	33.8	30.5	45.8	30.8
60 and Over	47.5	68.7	39.0	63.1	48.8	53.2	49.3	46.7	55.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent	64	80	62	71	68	62	63	67	69
Weighted Sample Size	420	483	27	88	113	116	251	121	1,625

^{a/} If a percentage of wages replaced, calculated to several decimal points, equalled the end point of a specified range, that observation was assigned to the lower category.

Almost 80 percent of the wives in that group had net wage replacement ratios over 60 percent. For the husbands, 60 percent had net replacement ratios that high.

In summary, the wage-replacement ratios presented here show that gross wage-replacement ratios do tend to understate the actual value of Unemployment Compensation relative to prior earnings. Taking account of taxes and work-related expenses, with or without any of the other adjustments, leads to substantially higher wage-replacement ratios.

For some groups of individuals--for example, SUA women workers with husbands or UC recipients eligible for other transfer benefits--the ratios may indeed be so high as to pose substantial work disincentives. Furthermore, the variance of net replacement ratios is quite high. While many individuals have ratios over 60 percent, some have ratios under 40 percent. UC benefits, thus, replace widely different proportions of pre-UI net wages.

B. EFFECTS OF WAGE REPLACEMENT ON LABOR MARKET AND UC EXPERIENCES

The principal focus of this section is to provide empirical estimates of the work disincentive effects of FSB and SUA payments. Because we have no comparison group of individuals who did not receive benefits under these emergency programs, we are obliged to draw our inferences from comparisons among recipients according to the size of their net wage-replacement ratio (which, as shown in the previous section, differs substantially from one group of recipients to another). Four different samples were examined; the combined FSB-EB sample; all FSB recipients; all non-school SUA recipients; and SUA school workers who returned to their pre-UI jobs. The method used to make the comparison was that of regression analysis. That method enabled us to hold constant other factors believed

to be important determinants of labor market behavior, in order to isolate the effects, if any, of the net wage-replacement ratio.

The results of our analysis so far of the labor market impact of differing net wage replacement must be considered ambiguous. Our estimates for the older and female workers in the FSB-EB combined sample indicated statistically significant disincentive effects. The same was true for the school workers on SUA. The effects were not large, and did not always hold up when different methods of estimation were applied. The estimates might be considered as lower-bounds for the programs' disincentive effects. This is because the lack of any comparison with those unemployed individuals who were ineligible for the emergency programs means that we have no measure of the labor market behavior of those who can be expected to need a job the most--those who have no emergency transfer alternatives to take the place of lost wages.

The Regression Models Used^{1/}

All the models reported had similar specifications. Independent variables were used to control for location, age and sex, disability, pre-UI earnings, race, education, normal household income, labor market attachment, and number of children. These variables were believed to be important determinants of labor market behavior and have been widely used in other studies. Other independent variables include the wage-replacement ratio net of taxes and work-related expenses (NWRR) and characteristics of individuals' UC experiences. Definitions of the independent variables,

^{1/} The rest of this chapter is, of necessity, more technical than the other material in the report. It can be skipped by readers who are not interested in the analytical details of the procedures used.

together with their mean values^{1/} in the samples, are reported in Table V.8. Dependent variables used in the analysis are also presented in the table.

Combined FSB-EB Sample

Our first investigation of labor market disincentives used the EB sample as a "control group" of individuals who did not collect FSB in 1975. We combined these individuals with the sample of FSB recipients and created a binary dependent variable representing FSB collection. Table V.9 reports the results of using that variable to detect differences between those who went on to collect FSB and those who did not. Although the overall statistical fit of the equations reported in that table was poor, a few important results stand out. In the first equation, for example, many of the state variables and most of the age-sex interactions had statistically significant^{2/} coefficients. The significance of the state variables probably reflected the strength of labor markets represented in the survey and (possibly) differences in the way in which FSB was administered.^{3/} The age-sex variable suggested that, other thing being equal, older

^{1/} Means reported in Table V.8 may differ from those presented elsewhere in this report for two reasons: (1) missing data requirements for the regression equations were more strict, and therefore sample sizes were somewhat smaller than those reported elsewhere; (2) following standard econometric procedures, regression results were not weighted--other results in this report were.

^{2/} We judged statistical significance by standard t tests. The argument presented in Appendix 1 suggests that standard errors calculated by standard least squares procedures may be biased downward by the clustering of the FSB and SUA samples. To the extent that such clustering has been controlled for by independent variables in the equations, however, such bias may be small.

^{3/} Some of these estimated effects change when care is taken to adjust for the starting date of benefits for the EB sample. These results are discussed below. Alternative ways of parametrizing locational effects are also described below.

TABLE V.8

DEFINITIONS OF VARIABLES USED IN REGRESSION EQUATIONS TOGETHER WITH THEIR MEAN VALUES

Variable Name	Definition	Mean for FSB Sample	Mean for SUA Non-School Sample	Mean for SUA School Sample ^{a/}
<u>Independent Variables</u>				
STATE#2-STATE#15	Dummy variables for states in alphabetical order: CA (omitted), FLA (2), GA (3), IN (4), LA (5), MA (6), MI (7), MO (8), NJ (9), NY (10), PA (11), TN (12), TX (13), UT (14), WA (15)	--	--	--
M24-P65+	Dummy variable for age and sex also interacted with MRR (see below)	--	--	--
DISABLEY	= 1 if disability interferes with kind or amount of work can do	0.128	0.107	0.049
EARN\$	Gross weekly earnings on pre-UI job--in \$100	1.669	1.284	1.104
RACE	= 1 if white, 0 otherwise	0.829	0.795	0.805
EDUCATN	Education in years	11.08	11.27	12.31
HSEHOLDY	Normal household income in \$1,000	10.74	10.60	13.18
ATTACHD	= 1 if worked more than 100 weeks in 3-year base period	0.649	0.450	0.781
CHILDREN	Number of children	0.982	1.058	1.141
KIDS*SEX	Number of children for female respondents: = 0 for male respondents	0.562	0.672	1.076

TABLE V.8 (Continued)

Variable Name	Definition	Mean for FSB Sample	Mean for SUA Non-School Sample	Mean for SUA School Sample ^{a/}
<u>Independent Variables</u>				
NWRR	Wage-replacement ratio net of taxes and work-related expenses	0.686	0.717	0.815
EXH	= 1 if exhausted UC benefits	0.384	0.261	0.026
EXH*NWRR	Product of NWRR and EXH	0.256	0.184	0.034
NWRR*M2-NWRR*FE6	Interactions of NWRR with age-sex dummies	--	--	--
TIME	Weeks from start of benefit year to interview date	68.80	--	--
DUMM1	= 1 if benefit year starts after 1/1/75	0.015 ^b	--	--
DUMM2	= 1 if benefit year starts between 1/1/75 and 6/30/75	0.359 ^b	--	--
DUMM3	= 1 if benefit year starts between 7/1/74 and 12/31/74	0.466 ^b	--	--
DUMM4	= 1 if benefit year starts before 7/1/74 (omitted)	0.160 ^b	--	--
CRD	= 1 if receiving UC benefits in 1/76	0.532 ^b	--	--
CRD*NWRR	Product of CRD and NWRR	0.343 ^b	--	--
<u>Dependent Variables</u>				
FSB-EB	= 1 if FSB, 0 if EB only	0.905 ^b	--	--
LABSTAT	= 1 if employed at interview date	0.340	0.513	0.951
WKSFE	Weeks of UC collected	49.04	21.69	10.86
EXH	= 1 if exhausted UC benefits	0.384	0.261	0.026

TABLE V.8 (Continued)

Variable Name	Definition	Mean for FSB Sample	Mean for SUA Non-School Sample	Mean for SUA School Sample ^{a/}
<u>Dependent Variables</u>				
WKE4WKE5	Weeks employed in 1974 minus weeks employed in 1975	--	--	3.46
NJOBDM	= 1 if held more jobs in 1974 than in 1975	--	--	0.04
WKU5WKU4	Weeks unemployed in 1975 minus weeks unemployed in 1974	--	--	1.02
Number in Sample		4,551	1,303	1,138

^{a/} Means for reemployed school workers only.

^{b/} Means refer to combined EB/FSB sample including only those EB recipients who had a chance to get to FSB (N=4926).

TABLE V.9

PROBABILITY OF GOING FROM EB TO FSB REGRESSIONS

Dependent Variable Independent Variables	FSB-EB		FSB-EB ^{a/}		FSB-EB ^{a/b/}	
	Coefficient	t-Ratio	Coefficient	t-Ratio	Coefficient	t-Ratio
STATE#1	--	--	--	--	--	--
STATE#2	-0.010	-0.409	-0.002	-0.063	-0.005	-0.166
STATE#3	-0.016	-0.656	-0.007	-0.236	-0.006	-0.211
STATE#4	-0.057	-2.336	-0.050	-1.808	-0.051	-1.871
STATE#5	-0.072	-2.884	-0.042	-1.486	-0.054	-1.561
STATE#6	-0.063	-2.307	0.013	0.427	0.003	0.431
STATE#7	-0.035	-1.422	-0.013	-0.496	-0.013	-0.493
STATE#8	-0.069	-2.788	-0.035	-1.264	-0.034	-1.206
STATE#9	-0.030	-1.104	-0.009	-0.290	-0.000	-0.001
STATE#10	0.072	2.827	0.071	2.464	0.076	2.652
STATE#11	-0.066	-2.805	-0.024	-0.915	-0.016	-0.603
STATE#12	-0.075	-3.093	-0.055	-2.007	-0.053	-1.938
STATE#13	-0.025	-1.044	-0.004	-0.154	-0.008	-0.295
STATE#14	-0.024	-1.012	-0.028	-1.065	-0.026	-0.986
STATE#15	-0.009	-0.320	-0.002	-0.052	-0.003	-0.084
M24-	--	--	-0.049	-1.086	-0.123	-0.863
M25-34	0.029	1.556	-0.031	-0.675	-0.046	-0.319
M35-44	0.036	1.530	-0.017	-0.356	-0.144	-0.994
M45-54	0.047	2.069	-0.010	-0.222	-0.025	-0.170
M55-64	0.050	2.219	-0.002	-0.032	-0.148	-1.021
MALE65+	0.067	2.393	0.048	0.967	-0.067	-0.434
FE24-	0.037	1.903	-0.036	-0.782	-0.153	-1.056
FE25-34	0.053	2.617	-0.005	-0.100	-0.109	-0.767
FE35-44	0.033	1.487	0.007	0.142	-0.156	-1.103
FE45-54	0.051	2.481	0.013	0.278	-0.103	-0.715
FE55-64	0.051	2.025	-0.008	-0.159	-0.125	-0.814
FE65+	0.081	1.960	--	--	--	--

TABLE V.9 (Continued)

Dependent Variable Independent Variables	FSB-ED		FSB-ED ^{a/}		FSB-ED ^{a/b/}	
	Coefficient	t-Ratio	Coefficient	t-Ratio	Coefficient	t-Ratio
DISABLEY	0.024	1.695	0.042	2.689	0.043	2.758
EARN5	0.000	0.319	0.000	0.368	0.000	0.181
RACE	-0.018	-1.451	-0.028	-2.001	-0.029	-2.060
EDUCATN	0.000	0.258	0.003	1.273	0.003	1.224
NSERVLBY	-0.002	-2.225	-0.002	-2.577	-0.002	-2.718
ATTACHD	-0.040	-3.827	-0.027	-2.306	-0.026	-2.187
CHILDREN	-0.016	-2.917	-0.009	-1.497	-0.009	-1.602
KIDS*SEX	0.014	1.738	0.012	1.347	0.012	1.361
NWRR	0.001	0.140	0.154	2.894	-0.106	-0.850
TIME	--	--	0.002	4.041	0.002	3.278
TIME*NWRR	--	--	-0.002	-2.877	0.001	0.706
NWRR*M2	--	--	--	--	-0.043	-0.273
NWRR*M3	--	--	--	--	0.289	1.591
NWRR*M4	--	--	--	--	0.018	0.089
NWRR*M5	--	--	--	--	0.335	1.804
NWRR*M6	--	--	--	--	0.376	1.676
NWRR*FE1	--	--	--	--	0.212	1.448
NWRR*FE2	--	--	--	--	0.261	2.080
NWRR*FE3	--	--	--	--	0.505	3.705
NWRR*FE4	--	--	--	--	0.419	2.937
NWRR*FE5	--	--	--	--	0.179	1.020
NWRR*FE6	--	--	--	--	0.380	1.025
DUMM1	-0.187	-6.657	--	--	--	--
DUMM2	-0.126	-8.792	--	--	--	--
DUMM3	-0.006	-0.457	--	--	--	--
CONSTANT	0.981	27.944	0.794	11.679	0.919	5.967
Measures of Goodness of Fit:						
Standard Error	0.33		0.35		0.35	
R ²	0.06		0.03		0.04	
F (Degrees of Freedom)	8.68 (37;5,190)		4.00 (36;4,889)		3.16 (58;4,867)	

^{a/} Sample includes only those who could have collected FSB in 1975.

^{b/} Regression also contains Time-NWRR-Age/Sex interaction terms. Coefficients are not reported.

individuals were more likely to go on to FSB than were younger individuals and that females were more likely to do so than males (possible reasons for this finding are discussed below in connection with the other equations in Table V.9). Coefficients of other independent variables in the equation had signs that agreed with a priori expectations: disabled individuals were more likely to proceed to FSB; those with high levels of normal family income or who worked more than 100 weeks in the three years prior to their UI claim were less likely to get to FSB; males with children had a lower probability of getting to FSB. The net wage-replacement variable in the equation did not have a statistically significant coefficient, however.

The three binary variables which represented the date at which the individual started his or her benefit year had the greatest explanatory power of those used in the first equation of Table V.9. Reasons for that were directly related to the structure of our EB sample. Since that sample was drawn from a population which included anyone who collected EB benefits (but not FSB) prior to the time at which the sample was selected, it was possible that some individuals would not have had sufficient time to reach FSB before the end of 1975. The benefit year dummies in the first equation reflected that possibility. Because this finding was definitional rather than behavioral, a series of additional models was formulated which devoted specific attention to the timing issue. The most important of these eliminated from the sample all EB recipients who could not (because of the length of their EB eligibility have reached FSB in 1975 and also incorporated a timing variable into the models.^{1/} Results of these

^{1/} Approximately 28 percent of the EB sample was eliminated by this requirement.

additional specifications are reported as the final two equations in Table V.9.

An obvious change brought about by greater attention to the timing issue was a decline in the overall explanatory power of the regressions. Without the benefit of the definitional properties of the first equation, all the statistical measures of goodness of fit declined. Coefficients for most of the independent variables in the model were similar to those previously discussed, however.^{1/} Major differences did occur for some of the state variables and for the net wage-replacement terms. The principal change in the state coefficients was that several of them declined in statistical significance. That indicated that some of the previous results for the state variables derived principally from the timing issue.^{2/}

Both the coefficients of NWRR and of the NWRR-time interaction were statistically significant in the second equation reported in Table V.9. The coefficient of NWRR itself was positive, thereby indicating that those with higher wage-replacement ratios were more likely to proceed to FSB.

^{1/} Because of the small size of the F65+ category, for computer precision it was chosen as the omitted category in the later regressions (rather than the M24 category). This change caused the statistical significance of the age-sex variables to decline and some point estimates of age-sex effects to change. The general demographic pattern reported previously remained, however.

^{2/} Additional models were estimated that used parameters of the states' UI systems rather than the complete set of state dummy variables. Of the variables used, the state insured unemployment rate had the greatest explanatory power, thereby indicating that much of the significance of the dummy variables probably reflected labor market conditions. Several other parameters of the state UI systems were also found to be statistically significant and investigation of these is continuing. The alternative parameterizations of locational effects had little impact on coefficients of other independent variables in the model.

The significant negative NWRR-time interaction may have indicated that those who started their benefit years in early 1974 or before (and were hence in the "backlog" of individuals served by the benefit extensions) were little affected by net wage replacement--perhaps because that effect was already reflected in their decision to collect extended benefits at all. Using the mean value of time observed in the sample, the overall estimate of the coefficient of NWRR was .034.^{1/} That figure implied that a 10 percentage point increase in the net wage-replacement ratio would increase the proportion of individuals going from EB to FSB by 0.34 percent.^{2/}

The estimated coefficient for NWRR differed significantly by age and sex, as shown in the final equation reported in Table V.9. Evaluating the coefficients at the mean values of the time variable gave estimates of the coefficients of net wage replacement which ranged from negative values for young males, through .089 for females in the 35-44 age group.^{3/} Even that latter figure implied that a 10 percentage point increase in NWRR would increase the probability of going from EB to FSB by less than one percent. Therefore, the net wage-replacement effects on the probability of reaching FSB, while statistically significant in some cases, were of a relatively small size.

^{1/} That is, $.034 = .15437 - 68.8 \times (.0017429)$.

^{2/} That figure, if applied to the average FSB collection of 18 weeks, implied that a 10 percentage point increase in NWRR would lead to about .06 additional weeks of UC collection. Such a figure is only about one-tenth of the average estimates reported by Hamermesh for regular UI; see Economic Issues in Unemployment Insurance Policy, op. cit., p. 50.

^{3/} Specific estimates were -.038, -.139, -.053, -.162, .085, .020, .041, .020, .089, .031, .023, and .070 for the 12 age-sex groups, respectively.

FSB Sample

Three basic models of the labor market experiences of FSB recipients are reported in Table V.10. Dependent variables used included labor force status at the interview date (as indicated by a binary variable which took the value one if the FSB recipient was reemployed), weeks of UC benefits (including regular UI, EB, and FSB) collected, and a binary variable representing exhaustion of FSB benefits. If significant, the disincentive effects of UC would be manifested by a negative effect of wage replacement on reemployment and a positive effect on weeks collected and on exhaustion. To allow for a possibly different NWRR coefficient for FSB exhaustees, an interaction term between that variable and the exhaustion dummy was added to the reemployment and weeks of benefit regressions.

None of the coefficients of net wage replacement reported in Table V.10 was statistically significant. Within the confines of the specifications used, therefore, it was not possible to identify evidence of the disincentive effect.^{1/} Some of the other independent variables reported in Table V.10 did have significant coefficients, however. As expected, individuals collected more weeks of benefits in the uniform duration states (New York, #10, and Pennsylvania, #11) and were more likely to exhaust their benefits in states with relatively short regular UI

^{1/}Regressions interacting NWRR with the age and sex variables were also run and some of these interactions were statistically significant. In particular, older males and females in the middle age categories with high net wage-replacement ratios were more likely to exhaust FSB. Point estimates of the size of these effects were relatively small, however. Controlling for the length of FSB potential duration did not change the results.

TABLE V.10

LABOR MARKET EXPERIENCES OF PSB RECIPIENTS

Dependent Variable Independent Variables	LABFSTAT		WKSFE		EXH	
	Coefficient	t-Ratio	Coefficient	t-Ratio	Coefficient	t-Ratio
STATE#1	--	--	--	--	--	--
STATE#2	0.143	3.938	-3.631	-3.553	0.238	6.475
STATE#3	0.132	3.590	-7.044	-6.803	0.010	2.667
STATE#4	0.102	2.803	-5.927	-5.802	0.004	0.111
STATE#5	0.122	3.210	-9.612	-8.947	0.428	11.188
STATE#6	0.305	0.744	1.068	0.923	0.045	1.069
STATE#7	0.892	2.499	-3.616	-3.592	0.867	2.386
STATE#8	0.051	1.357	-5.932	-5.645	0.096	2.541
STATE#9	0.167	0.415	2.164	1.907	0.167	4.087
STATE#10	-0.023	-0.641	11.152	10.824	0.093	2.497
STATE#11	-0.003	-0.078	8.502	8.630	-0.018	-0.494
STATE#12	0.083	2.278	0.680	0.660	-0.060	-1.616
STATE#13	0.161	4.480	-2.261	-2.225	0.112	3.063
STATE#14	0.147	4.144	-8.068	-8.080	-0.048	-1.327
STATE#15	0.075	1.838	-4.699	-4.081	0.346	8.391
M24-	0.292	4.857	-1.174	-0.692	-0.092	-1.501
M25-34	0.291	4.809	-0.942	-0.552	-0.149	-2.416
M35-44	0.238	3.608	-0.447	-0.246	-0.100	-1.529
M45-54	0.199	3.175	0.535	0.302	-0.109	-1.712
M55-64	0.095	1.529	1.985	1.133	-0.061	-0.965
MALE65+	-0.019	-0.282	1.357	0.729	-0.041	-0.607
FE24-	0.224	3.646	-0.889	-0.514	-0.095	-1.523
FE25-34	0.219	3.540	-0.535	-0.308	-0.055	-0.873
FE35-44	0.221	3.509	-1.313	-0.741	-0.082	-1.277
FE45-54	0.176	2.880	0.611	0.035	-0.089	-1.425
FE55-64	0.091	1.421	-1.097	-0.604	-0.073	-1.116
FE65+	--	--	--	--	--	--

TABLE V.10 (Continued)

Dependent Variable Independent Variables	LABSTAT		WKSFE		EXH	
	Coefficient	t-Ratio	Coefficient	t-Ratio	Coefficient	t-Ratio
DISABLEY	-0.083	-3.958	-1.209	-2.033	-0.005	-0.237
EARN5	0.001	0.869	-0.049	-1.246	-0.003	-1.863
RACE	0.005	0.243	0.816	1.518	-0.017	-0.948
EDUCATH	0.000	0.135	0.216	2.675	-0.003	-1.092
HOUSEHOLDY	0.004	3.298	-0.005	0.148	0.000	-0.701
ATTACHD	0.009	0.548	7.657	17.320	-0.052	-3.242
CHILDREN	0.012	1.463	0.084	0.363	0.005	0.645
KIDS*SEX	-0.012	-0.968	-0.372	-1.100	-0.010	-0.815
NWRR	0.008	1.529	0.111	0.714	-0.009	-1.601
TIME	0.003	6.914	0.185	16.826	0.002	5.252
EXH	-0.119	-4.501	12.294	16.795	--	--
EXH*NWR	0.021	0.652	0.371	0.409	--	--
CONSTANT	-0.146	-1.896	26.142	12.037	0.338	4.320
Measures of Goodness of Fit:						
Standard Error	0.46		12.91		0.47	
R ²	0.08		0.39		0.09	
F(Degrees of Freedom)	9.9 (37,4,513)		78.54 (37,4,513)		12.63 (35,4,515)	

durations^{1/} (Florida, #2; Georgia, #3; and Louisiana, #5) or with a substantial FSB backlog (New Jersey, #9, and Washington, #15). Older individuals had lower reemployment rates, collected UC benefits for more weeks, and were more likely to exhaust their benefit entitlements. FSB recipients who worked more than 100 weeks in the three-year "base-period" collected benefits significantly longer--primarily because they were eligible for longer durations.

SUA Non-School Worker Sample

Examination of labor market activities by SUA recipients posed a number of difficulties for analysis. Most important, the behavior of that sample was dominated by the presence of a large number of school workers and, in some initial analysis, it appeared that those workers were very different from others in the SUA sample. It was therefore decided to analyze school and non-school SUA recipients separately. In Table V.11 we report results for the non-school sample. Results for the school workers are presented in the next section.

The models in Table V.11 used the same dependent variables (labor force status, weeks collected UC, and exhausted UC) as did those for FSB recipients reported previously. Again, the net wage-replacement ratio did not generally have a statistically significant coefficient, but some of the other variables in the equations were estimated to have important effects. Many of the state variables were significant. SUA recipients in Florida, Missouri, and Tennessee were more likely to be reemployed than those

^{1/} These findings indicated that individuals with identical demographic and work histories had different experiences with FSB, depending on the state in which their claim was filed. That was one consequence of basing the FSB program on regular state UI programs

TABLE V.11

LABOR MARKET EXPERIENCES OF THE NON-SCHOOL WORKER SUA SAMPLE

Dependent Variable Independent Variables	LAHSTAT		WKSFE		EXH	
	Coefficient	t-Ratio	Coefficient	t-Ratio	Coefficient	t-Ratio
STATE#1	--	--	--	--	--	--
STATE#2	0.163	3.104	-4.660	-3.796	0.036	0.756
STATE#3	0.026	0.417	-6.970	-4.793	0.032	0.555
STATE#4	0.077	1.111	-6.887	-4.250	0.179	2.821
STATE#5	0.089	1.011	-6.902	-3.372	-0.142	-1.775
STATE#6	0.090	1.106	-4.831	-2.538	-0.072	-0.969
STATE#7	-0.074	-1.378	-0.339	-0.270	-0.011	-0.220
STATE#8	0.144	2.097	-3.341	-2.086	0.139	2.210
STATE#9	0.064	0.944	-4.880	-3.101	-0.053	-0.861
STATE#10	-0.122	-1.789	1.580	0.988	-0.148	-2.358
STATE#11	0.112	1.341	-1.550	-0.795	-0.098	-1.284
STATE#12	0.124	1.798	-6.471	-4.021	-0.159	-2.529
STATE#13	0.009	0.107	-8.249	-4.457	-0.034	-0.466
STATE#14	0.013	0.190	-6.615	-4.296	-0.052	-0.860
STATE#15	0.074	1.217	-4.988	-3.526	-0.070	-1.259
M24-	--	--	--	--	--	--
M25-34	0.010	0.187	-0.171	-0.141	0.067	1.409
M35-44	0.018	0.254	-2.573	-1.549	0.160	2.464
M45-54	0.065	0.945	-0.179	-0.111	0.025	0.397
M55-64	-0.052	-0.714	1.517	0.893	0.085	1.273
MALE65+	-0.287	-3.167	2.006	0.947	0.045	0.547
FE24-	-0.035	-0.709	0.597	0.514	0.034	0.755
FE25-34	-0.036	-0.613	0.904	0.666	0.069	1.295
FE35-44	0.075	1.190	0.088	0.059	0.076	1.315
FE45-54	-0.091	-1.578	-0.006	-0.004	0.057	1.080
FE55-64	-0.068	-0.944	0.675	0.402	0.073	1.110
FE65+	-0.104	-0.640	5.440	1.436	0.039	0.261

TABLE V.11 (Continued)

Dependent Variable Independent Variables	LABSTAT		MESFE		EXH	
	Coefficient	t-Ratio	Coefficient	t-Ratio	Coefficient	t-Ratio
DISABLEY	-0.137	-3.107	2.406	2.343	-0.046	-1.146
EARNIS	-0.087	-3.840	1.652	3.132	0.012	0.593
RACE	-0.010	-0.290	-1.020	-1.230	-0.025	-0.771
EDUCATN	0.005	0.923	0.090	0.754	0.006	1.318
HOUSEHOLDY	0.004	1.792	-0.127	-2.316	-0.005	-2.427
ATTACHD	0.076	2.547	1.877	2.696	-0.084	-3.095
CHILDREN	0.024	1.444	0.486	1.244	-0.025	-1.609
KIDS*SEX	-0.029	-1.318	-0.358	-0.687	0.023	1.129
NWRR	0.037	1.272	-0.187	-0.274	-0.011	-0.430
EXH	-0.132	-2.227	23.375	16.849	--	--
EXH*NWR	-0.202	-2.810	-2.591	-1.540	--	--
CONSTANT	0.546	6.840	17.365	9.309	0.274	3.787
Measures of Goodness of Fit:						
Standard Error	0.47		11.00		0.43	
R ²	0.14		0.46		0.06	
F(Degrees of Freedom)	5.56 (36;1,266)		29.80 (36;1,266)		2.40 (34;1,268)	

elsewhere and recipients in New York were less likely to be. Such findings probably reflected labor market conditions in those states. UI policies in the states were reflected in the coefficients of the state variables, with weeks collected being higher in California, Michigan, New York, and Pennsylvania than elsewhere. Results for the state variables in the exhaustion equation tended to reflect both differential reemployment probabilities and the various states' duration provisions. The age-sex coefficients reported in Table V.11 were generally not statistically significant, although there was some evidence that older SUA recipients were less likely to find new jobs. Other independent variables had coefficients which resembled those estimated for the FSB sample.

Reemployed SUA School Workers

Because nearly 80 percent of SUA school workers had returned to their pre-UI jobs by March 1976, it would be inappropriate to analyze this group with the methods used previously for UC recipients with more variable reemployment patterns. Rather, we centered attention exclusively on SUA school workers who did return to their job and asked whether the availability of SUA benefits during 1975 caused their labor market behavior during the period between terms to differ from what it had been in 1974. Three dependent variables were used to measure such changes over time: the difference between weeks employed in 1974 and 1975; a binary variable which was set equal to one if more jobs were held in 1974 than in 1975; and the difference between weeks unemployed (that is, actively looking for work) in 1975 and in 1974. To the extent that SUA benefits deterred school workers from taking jobs in 1975 (mainly during

the summer, between terms) NWRR should be positively related to all of these dependent variables.

The three equations reported for reemployed school workers in Table V.12 generally supported these presumptions, although the estimates of the size of the disincentive effect of SUA benefits were relatively small. Based on the mean value of .82 for the net wage-replacement ratio in the reemployed school worker sample, the estimates suggested that, on average, SUA (1) reduced weeks employed by about one-half a week; (2) increased the probability of experiencing a reduction in the number of jobs by about .01; and (3) increased measured weeks unemployed by about six-tenths of a week.^{1/} Although the coefficient of NWRR generally passed a one-tail test of statistical significance, however, the precision of these estimates was low. The overall explanatory power of the equations was similarly low and most other independent variables did not have statistically significant coefficients.^{2/}

^{1/} From these data it appeared that the employment and unemployment effects of SUA were of roughly the same size and hence that SUA had no major labor force participation effects. Some care must be taken in drawing such an inference, however, since many reemployed SUA school employees reported (retrospectively) that they had not been actively looking for work during the period between terms in 1975. Hence they would not be counted as being unemployed in our calculations. For purposes of the CPS labor market survey (for which job search questions apply to the last four weeks) they may have been counted as unemployed, however.

^{2/} Although most of the state variables were statistically significant in the weeks employed and weeks unemployed equations, that reflected the unusual nature of the omitted category (California and Florida-- states where school workers are generally covered under the regular UI program). The included state variables did not in general have coefficients that were significantly different from each other.

TABLE V.12

DIFFERENCES IN 1974 AND 1975

LABOR MARKET ACTIVITIES OF REEMPLOYED SVA SCHOOL WORKERS

DEPENDENT VARIABLE INDEPENDENT VARIABLES	WKE4WKES		WJOBWUM		WKUSWKU4	
	Coefficient	t-Ratio	Coefficient	t-Ratio	Coefficient	t-Ratio
STATE01	--	--	--	--	--	--
STATE02	--	--	--	--	--	--
STATE03	-12.103	-3.397	0.046	0.644	-12.509	-3.685
STATE04	-11.830	-3.415	0.051	0.744	-17.407	-5.273
STATE05	-13.449	-3.947	0.014	0.210	-16.524	-5.088
STATE06	-9.812	-2.815	0.014	0.202	-14.961	-4.505
STATE07	-13.903	-3.465	0.126	1.585	-14.386	-3.762
STATE08	-14.219	-4.054	0.069	0.994	-15.559	-4.655
STATE09	-14.273	-4.045	0.032	0.460	-16.248	-4.832
STATE10	-9.944	-2.859	0.030	0.440	-14.434	-4.355
STATE11	-14.527	-4.221	0.063	0.927	-20.299	-6.189
STATE12	-14.207	-4.143	0.058	0.845	-16.513	-5.053
STATE13	-13.745	-3.936	0.019	0.269	-14.342	-4.309
STATE14	-12.179	-3.512	0.061	0.882	-15.664	-4.740
STATE15	-11.989	-3.468	0.026	0.373	-12.914	-3.920
M24-	7.991	1.312	-0.112	-0.922	12.077	2.081
M25-34	0.255	0.075	-0.054	-0.800	0.870	0.269
M35-44	1.776	0.449	-0.007	-0.090	4.131	1.096
M45-54	-4.372	-1.214	-0.031	-0.433	0.613	0.179
M55-64	0.728	0.212	-0.096	-1.405	2.663	0.814
MALE65+	3.836	0.894	-0.084	-0.984	4.431	1.084
FE24-	2.581	0.749	0.056	0.817	3.137	0.955
FE25-34	2.775	0.958	-0.014	-0.238	4.399	1.594
FE35-44	1.068	0.375	-0.034	-0.601	3.266	1.202
FE45-54	0.019	0.007	-0.040	-0.723	2.435	0.920
FE55-64	-0.222	-0.080	-0.068	-1.228	2.554	0.960
FE65+	--	--	--	--	--	--

TABLE V.12 (Continued)

Dependent Variable Independent Variables	MKE4MKES		MJOJMDM1		MKH5MKH4	
	Coefficient	t-Ratio	Coefficient	t-Ratio	Coefficient	t-Ratio
DISABLEY	-0.460	-0.354	0.016	0.609	-0.355	-0.286
EARNIS	0.138	1.393	0.0	-0.070	0.017	0.175
RACE	0.976	1.234	-0.029	-1.875	1.502	1.994
EDUCATH	0.134	1.144	0.004	1.608	0.159	1.423
HSPHOLJY	0.144	-2.961	-0.002	-1.803	-0.110	-2.533
ATTACHD	8.857	12.530	-0.021	-1.466	5.612	8.332
CHILDREN	0.945	1.035	-0.009	-0.466	1.233	1.417
KIDS*SEX	-0.502	-0.525	-0.003	-0.164	-1.021	-1.120
HWICH	0.587	1.613	0.013	1.735	0.711	2.048
CONSTANT	6.867	1.511	0.053	0.583	6.890	1.590
Measures of Goodness of Fit:						
Standard Error	9.31		0.19		8.88	
R ²	0.17		0.05		0.14	
F(Degrees of Freedom)	6.92 (33;1,104)		1.56 (33;1,104)		5.50 (33;1,104)	

CHAPTER VI

POLICY SIMULATIONS

In this chapter we present the results of our policy simulations; that is, of using data from the FSB/SUA survey to simulate the effects of alternative policies on individuals drawing benefits under the emergency programs. The purpose of the investigation is to permit policy makers to evaluate a number of options that have been proposed as ways to improve the operation of the Unemployment Insurance system.

Four types of policy changes are examined in separate sections of the chapter. First, alternative, more stringent, criteria for FSB eligibility are considered. These criteria would require somewhat greater evidence of the labor force attachment of potential FSB recipients than is required under current statutes. The effects of implementing alternative definitions of this attachment are simulated.

Second, the effects of changing eligibility criteria for the SUA program are investigated in Section B. Discussion of these criteria centers both on the issue of labor market attachment and on the question of UC coverage of currently uncovered industries.^{1/} Particular attention is given to SUA coverage of industries with a regular seasonal pattern of unemployment.

^{1/} Many of the issues examined in Section B are relevant to provisions contained in recently passed legislation (PL 94-566) which modified the SUA program and expanded future regular UI coverage to include many groups currently eligible for SUA. Because that legislation was enacted after the majority of research on this report was completed, we were not able to investigate in detail all of its implications. We did, however, focus explicitly on the issue of coverage of school employees in a way consistent with PL 94-566. The analysis of pensions presented in Chapter IV is also relevant to various provisions of the legislation.

Third, the consequences of changing UC weekly benefit levels are examined in Section C. Both the FSB and the SUA programs currently incorporate benefit standards prevailing under the UI state programs, and the purpose of the section is to consider alternative standards. While the particular focus of the section is on the role of UC maximum benefit provisions and on the non-taxable status of UC benefits, some consideration is also given to the more general question of basing long-term benefits on family need. Although results for this section apply directly only to the FSB and SUA programs, they may provide useful information for the debate about benefit levels under regular UI as well.

The final section addresses the question of timing of the emergency programs. Although the programs were in fact implemented simultaneously^{1/} in all states in early 1975, alternative procedures might have been followed. A variety of "triggering" mechanisms have been proposed (or are already parts of various UI laws) for implementing extended UI programs automatically in response to certain indicators of the levels of economic activity both nationally and within specific states (e.g., the unemployment rate). The implications of some of these mechanisms are examined in this section. Particular attention is devoted to the nature of the recipient pool and the aggregate dollars paid under the programs during calendar year 1975.

Each of the four major sections in this chapter has a similar structure. First, we outline the general policy issues; next, the

^{1/}This is not precisely correct since each state had to reach an agreement with the federal government before the programs could be implemented. Variance in the dates at which these agreements were signed meant that the emergency programs in fact started at somewhat different times.

policy options that were simulated are described and their rationale discussed; third, we present the results of the policy simulations. To evaluate these simulations several possible criteria are presented. These include: demographic characteristics of recipients; measures of labor market activity and family income; wage-replacement ratios; and estimates of costs and caseloads. Each major section concludes with a summary of the simulation results and a discussion of their implications for policy.

A. FSB ELIGIBILITY

Benefit entitlements under the FSB program are equal to 100 percent of a claimant's regular entitlement under UI up to a maximum duration of 26 weeks of full benefits. All individuals who exhaust their regular EB entitlement and continue to be unemployed are eligible for these FSB benefits. Consequently, a claimant's eligibility for FSB and the potential duration of his or her FSB benefits are essentially determined by state provisions for regular UI. Since those state provisions are the results of attempts to provide individuals with temporary benefits during relatively brief spells of unemployment, there is concern that they may be inappropriate for FSB-type programs of long-term support. Most important, it has been argued that state UI provisions may not require sufficient evidence of labor market attachment and that many individuals without such an attachment may thereby be able to collect FSB benefits for long periods of time. Since that outcome is contrary to one of the FSB program's primary purposes of providing extended support during recessionary periods to workers with a substantial employment history, a number of alternative, more stringent, FSB eligibility criteria have been proposed. Here we will examine a few of them. The basic purposes of our investigation are to

determine the extent to which such criteria would direct FSB benefits to those with substantial labor market attachment and what effect this would have on the characteristics of the FSB caseload.

1. Policies Simulated

Four types of FSB eligibility criteria were simulated:

- (a) Requiring more weeks of employment in the claimant's regular UI base period;
- (b) Providing FSB benefits only to those eligible for a state's maximum UI duration;
- (c) Use of a longer (three-year) base period to determine FSB eligibility;
- (d) Limiting FSB eligibility only to those claimants who exhausted their EB entitlement after implementation of the FSB program.

Eligibility for regular UI is primarily determined by an individual's employment history during a one-year base period. While the precise definition of the "base period" and the measure of employment used vary widely across states,^{1/} all states require some evidence of labor force attachment. An administratively straightforward way to impose more stringent eligibility criteria for long-term Unemployment Compensation would be to require a greater duration of employment during the base period than is specified for regular UI. This might have the effect of "targeting" FSB to a group of workers believed to be more deserving of those types of benefits. To examine this possibility, we

^{1/} For example, some states use a base period defined by calendar quarters, whereas others use a moving 52-week period. Similarly, some states measure labor force attachment by earnings, whereas others use weeks worked. Of the 15 states in our study, 10 use various earnings measures and 5 use weeks worked.

used the number of weeks employed in an individual's base period as a measure of labor market attachment.^{1/} Two specific alternative requirements were examined: 20 or more weeks of base period employment; and 30 or more weeks of base period employment. These requirements (particularly the second) are somewhat more stringent than those currently prevalent in most states; they are similar, however, to those used by the unemployment insurance systems of other countries.

Another way to impose more stringent base period employment requirements for FSB eligibility would be to provide FSB benefits only to individuals who are eligible for a state's maximum regular UI duration. Such a policy would have the advantage of treating emergency benefit extensions as temporary relaxations of states' (and regular Extended Benefit) duration maxima, thereby avoiding the "notch" problem^{2/} inherent in fixed employment eligibility standards (such as the 20 and 30 week criteria mentioned above). One drawback of such a policy is that it would continue the current practice of incorporating a wide variety of state UI provisions into the federal FSB program. Consequently, identically situated individuals would be treated differently depending on the states in which their claims were filed. We do not address these

^{1/} Weeks reported as employed were not counted if earnings per week were below \$20. States' definitions of actual base periods were used for this purpose although additional simulations using a uniform 52-week base period were also run. State data on base period employment and earnings were missing for most of the FSB sample.

^{2/} This problem arises when two individuals with only marginally different employment histories might be eligible for substantially different UC durations.

issues directly here, but the results of the simulation of FSB eligibility only for those at a state's maximum do provide some indirect evidence on them.

One problem with the eligibility policies discussed so far is that they are all concerned with a one-year base period, a period which may not be long enough to permit an accurate determination of labor force attachment. This is especially a problem for long-term extended benefits programs (such as FSB) in which the length of benefit duration may exceed that of the entire base period itself. One solution that has been proposed is the adoption of a longer base period in determining FSB eligibility. To examine that alternative we simulated two different criteria using a base period extending back three years prior to the beginning of a claimant's benefit year. These criteria required, respectively, 60 and 90 weeks of work in the longer base period. They therefore required that the claimant should average the number of weeks required in the earlier one-year base period simulations over the entire three-year period.

The final FSB simulation reported here is concerned with a somewhat narrower issue. Whenever UI benefits have been extended on an emergency basis, some portion of the claimants eligible for extensions have exhausted their regular EB benefits prior to the emergency program's implementation. Such claimants constitute a "backlog" of potential FSB recipients who may have experienced a substantial gap (perhaps several years) between their last EB payment and their first FSB payment. Because it is possible that during the gap such individuals may cease being active labor force participants, FSB eligibility criteria which

focus on strength of labor market attachment may be designed to exclude them. To examine the implications of such a policy we simulated a situation under which the only eligibles for FSB were those individuals who received some EB benefits after the FSB program came into effect. Most such individuals could (if their spell of unemployment continued for a sufficiently long time) proceed directly from EB to FSB without experiencing the gap in coverage encountered by individuals in the backlog.

2. Simulation Results

Results for simulating the six FSB eligibility policies described above are presented in the three parts of Table VI.1. Part A of the table summarizes a few key program characteristics of each policy and indicates salient demographic and economic characteristics of recipients under each alternative. The most stringent policy simulated was the requirement that individuals be at a state's maximum regular UI duration in order to receive any FSB extensions. Under that policy it was estimated that fewer than 60 percent of actual FSB recipients would have qualified. Requiring an average of 20 or 30 weeks' employment over a three-year base period (that is, 60 or 90 weeks in the period) was estimated to be a considerably more stringent policy than requiring such employment in a one-year base period. Use of such a longer base period reduced the number of eligibles by 5 to 6 percent (as a percent of the current program caseload) over what would have prevailed with a single year base period requiring comparable employment. Exclusion of those in the FSB backlog reduced the number of eligibles by about 14 percent.

TABLE VI.1 (PART A)

SIMULATED PROGRAM AND RECIPIENT CHARACTERISTICS UNDER ALTERNATIVE PSB ELIGIBILITY CRITERIA

Program and Recipient Characteristics	Current Policy	Policy Options					
		20 Weeks in Base Period	30 Weeks in Base Period	At Maximum Duration	60 Weeks in 3-Year Base	90 Weeks in 3-Year Base	Not in Backlog
Program Characteristics							
Caseload, as Percent of Current Program	100.0	87.3	76.3	57.4	82.8	70.1	85.7
Cost (in 1975), as Percent of Current Program	100.0	89.7	79.7	65.3	85.8	74.6	83.3
Mean Weekly UC Benefit	\$ 64.5	\$ 65.5	\$ 66.4	\$ 70.1	\$ 66.9	\$ 68.1	\$ 65.0
Recipient Characteristics							
Mean Age (Years)	38.9	39.2	39.7	41.3	40.0	41.2	38.4
Percent Male	52.5	52.8	53.0	55.3	55.3	55.9	52.9
Percent White	84.3	84.5	84.6	87.4	84.0	84.2	83.7
Mean Weekly Wage on Pre-UI Job	\$170	\$169	\$168	\$180	\$174	\$175	\$167
Mean Weeks Worked in 3-Year Base Period	111.9	110.3	124.4	125.8	127.9	137.4	112.7
Percent Working More Than 120 Weeks in 3-Year Base Period	53.1	58.9	64.7	66.5	64.4	75.9	54.0
Weighted Sample Size	6,825	5,258	5,207	1,218	5,651	4,784	5,842

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TABLE VI.1 (PART B)

Distribution of Recipients by Family Income and Wage Replacement	Current Policy	Policy Options					
		20 Weeks in Base Period	30 Weeks in Base Period	At Maximum Duration	60 Weeks in 3-Year Base	30 Weeks in 3-Year Base	Not in Backlog
Ratio of Family Income (Excluding UC Benefits) to Poverty Line							
0-1.0 ^a	50.8%	50.3%	50.9%	50.1%	51.0%	52.4%	50.1%
1.0-3.0	36.2	36.6	36.0	35.7	35.3	35.2	36.7
3.0 and Over	13.0	13.1	13.1	14.2	12.9	12.4	13.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percent of Gross Wage Replaced by UC							
0-40 ^a	36.5%	35.6%	35.1%	33.2%	36.6%	36.1%	36.2%
40-60	48.6	49.6	50.3	52.1	49.1	49.7	49.1
60 and Over	14.9	14.8	14.6	14.6	14.3	14.2	14.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent Replaced	47.0	47.0	47.0	47.4	47.2	46.8	47.1
Percent of Net Wage Replaced by UC							
0-40 ^a	15.1%	14.2%	13.9%	13.0%	14.8%	14.6%	14.6%
40-60	33.0	32.8	32.7	32.9	33.4	33.2	33.3
60 and Over	51.9	53.0	53.4	54.1	51.8	52.2	52.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent Replaced	64.6	65.4	65.0	65.1	65.6	65.3	64.7
Weighted Sample Size	6,825	5,958	5,207	3,918	5,651	4,784	5,842

^a/ If a ratio or a percentage, calculated to several decimal points, equalled the end point of a specified range, that observation was assigned to the lower category.

TABLE VI.1 (PART C)

Other Recipient Characteristics	Current Policy	Policy Options					
		20 Weeks in Base Period	30 Weeks in Base Period	At Maximum Duration	60 Weeks in 3-Year Base	90 Weeks in 3-Year Base	Not in Backlog
Percent in Husband-Wife Families	61.0	61.5	62.2	62.3	62.4	63.8	60.7
Percent with Other Earners in Family	51.7	51.6	50.8	49.6	50.3	49.2	53.2
Percent with Earning Spouse	37.0	37.1	37.1	35.7	36.6	36.7	37.3
Percent Eligible for Means-Tested Transfer Programs (without UC)	60.2	60.4	60.7	61.0	61.8	62.5	60.9
Percent Eligible for Means-Tested Transfer Programs (with UC)	30.7	30.2	30.1	27.7	30.9	30.1	31.7
Labor Force Status, March 1976							
Employed	31.2%	31.2%	31.4%	28.2%	31.8%	31.7%	31.7%
Unemployed	46.7	47.6	48.1	49.0	48.0	47.8	48.0
Not in Labor Force	22.1	21.1	20.5	22.8	20.2	20.5	20.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percent Estimated to Need (at Start of FSB)							
Education and Training	10.2	9.4	9.4	8.5	8.9	8.4	10.5
Referral and Placement	15.1	15.2	15.2	16.3	15.8	15.9	15.6
Public Service Employment	13.3	13.4	13.4	12.6	14.3	14.2	13.5
Weighted Sample Size	6,025	5,958	5,207	3,910	5,651	4,784	5,849

Estimated cost figures^{1/} reported in Table VI.1 revealed a number of important contrasts with the caseload data. On each of the first five eligibility simulations the more stringent eligibility criterion reduced costs, but less, proportionately, than it reduced caseloads. This was partly due to a higher average UI benefit for those eligible than for all FSB recipients and partly to the somewhat longer average periods of FSB collection by those included under the more stringent criteria.

For the backlog-extension simulation the reverse was true: costs were reduced to a greater extent, proportionately, than caseloads. That finding probably resulted from the fact that all recipients in the FSB backlog had a chance to exhaust fully their FSB benefits before the end of 1975 (the period over which program costs were calculated), whereas not all non-backlogged recipients had that opportunity. Consequently, one would expect that individuals in the backlog would collect relatively more FSB payments in 1975 and contribute disproportionately to costs.

While the demographic and economic characteristics of recipients reported in the first page of Table VI.1 differed only slightly across simulations, certain patterns were clearly apparent. "Mean weeks employed" for recipients in the three years prior to starting regular UI was higher in each simulation over that which prevailed under current policy. Of course, for the three-year base period simulations, that was

^{1/} These figures were calculated by summing up all FSB payments received during 1975 by individuals eligible under the various criteria. They do not, therefore, reflect possible changes in behavior in response to changing eligibility rules. They reflect only the first year of FSB where cost experiences may differ from those of an ongoing program.

an artificial increase since exclusion was based on the three-year employment variable itself. But the fact that the increase showed up also in the other measures (all of which are based on only one year of employment history) indicated the general continuity of most individual's work patterns.

The principal demographic consequences of requiring more substantial work experiences for FSB eligibility were to make the sample of potential recipients somewhat older, more heavily male, and more likely to be white. Conversely, those excluded were younger, more likely to be female, and more likely to be of races other than white. For most of the simulations these changes were relatively small, however. They were most important for the two policies which used a three-year base period and for the policy that required potential recipients to be at a maximum regular UI duration.

Part B of Table VI.1 reports on the implications of the FSB eligibility criteria for income distribution and wage replacement. The income distribution data used referred to income (at the start date of FSB) excluding UC benefits so that the distributional consequences of such benefits could be appraised. For wage replacement, the basic gross and net concepts described in Chapter V were used. Overall, the results show few major differences among the policy options simulated. The pool of eligibles under the three-year base period criteria had a somewhat greater representation of families with incomes below the poverty line than the actual FSB policy, indicating that use of a longer base period might have slightly more equalizing distributional consequences. Otherwise, data in part B of Table VI.1 provided little basis for choosing among the policies.

A variety of other evaluation measures were calculated from the FSB eligibility simulations, and some of these are reported in part C of Table VI.1. Again, these results showed few substantial differences among the options. Requiring a more significant employment record did reduce somewhat the representation of recipients who had withdrawn from the labor force by the date of the interview in all but the maximum duration simulation. More detailed results showed this derived principally from a reduced representation of both male and female labor market dropouts in the 25-34 and 35-44 age categories. For the maximum duration simulation this trend was reversed by an increased representation of older workers in the sample.

3. Summary

Simulations of several alternative criteria for FSB eligibility showed the implications of requiring greater evidence of labor force attachment from FSB claimants than is currently the case. All of the policies simulated yielded samples with more regular employment during a three-year base period than did the full FSB sample. Those excluded from FSB by the more stringent criteria tended to be younger, were more likely to be female, and had slightly higher family incomes. On other grounds, however, there were only slight differences in possible criteria for choosing among the policies. For most of the simulated policies, individuals included resembled those excluded. This finding implies that policy debate about requiring more evidence of labor market attachment for FSB eligibility might center on the desirability of that policy itself. Desirable or undesirable side effects of such policies, at least to the extent they have been simulated here, are likely to be relatively small.

B. SUA ELIGIBILITY

The SUA program was intended for recently laid-off workers who have sufficient earnings or employment during the past 52 weeks to qualify for regular UI under state laws, but were not eligible for that program either because their employer was not covered or because their employment record during the state-defined base period was not sufficient. The basic policy issue raised by SUA eligibility, therefore, is whether coverage of regular UI programs should be extended in these ways. That in turn raises the question of why individuals on SUA were excluded from regular UI coverage in the first place. Three factors probably account in large part for their exclusion. First, the historical evolution of the state UI systems and the complex interrelationships between those systems and the Federal Government have meant that many workers (particularly those employed by state or local governments) have remained uncovered. Second, the concern of policy makers to exclude workers in seasonal industries has meant that many such workers have not been covered. That is particularly true of agricultural workers, but is also the case for workers in other industries (such as construction or school employment).^{1/} Finally, the desire to minimize administrative costs led to the specification of minimum firm sizes for UI coverage, thereby excluding workers in small establishments.

^{1/}One reason for the states' choosing a base period other than the most recent 52 weeks is to exclude seasonal workers who have just left their jobs.

In this section we examine the first two of these issues using data from the FSB/SUA Survey.^{1/} Before focusing on the coverage issues raised by the SUA program, we first present simulation results for requiring longer employment within the base period for individuals in the SUA sample. This analysis is intended for comparison with similar simulations presented earlier for the FSB sample and to illustrate a few basic characteristics of SUA recipients.

1. Policies Simulated

Three types of SUA eligibility policy were simulated:

- (a) Requiring more base period employment;
- (b) Excluding school employees on summer layoff from SUA coverage;
- (c) Limiting SUA to industries not covered by regular UI.

Combinations of some of these policies were also simulated when policy interest warranted it. In this section we describe in detail policy types (b) and (c). Type (a) simply repeated the 20 and 30 weeks of base period employment^{2/} simulations described in our analysis of FSB eligibility, and that description will not be repeated here.

As shown in earlier chapters, SUA coverage of school employees raises a number of policy questions. The issue is made particularly

^{1/} The survey data do not permit an examination of the firm size issue. The issue is of minor importance since all commercial establishments with one or more employees working 20 or more weeks are currently included in the regular UI program.

^{2/} Here the uniform 52-week SUA base period was used in the simulation.

important by our estimate that such employees made up over 55 percent of SUA recipients. In reality, the question of UI coverage for school employees during the summer is no different from the question of UI coverage for any group experiencing regular "seasonal unemployment." Two contrary positions regarding such coverage have been articulated. Those opposed to coverage argue that workers know about the unemployment prospects inherent in such jobs; consequently, this aspect of the jobs will be reflected in wage bargains. To cover the jobs by unemployment insurance would be to subsidize seasonal industries. Alternatively (especially in the SUA case), it is argued that recessions reduce labor market opportunities for workers on seasonal layoff, and the general philosophy of UI would dictate their coverage during such periods. Therefore, one might wish to cover seasonal workers under SUA even though they might be excluded under regular UI statutes. We did not address the issue of general seasonal unemployment in our simulations^{1/} but did investigate the specific issue of school employees in a way consistent with recent policy concerns.

Recently passed legislation (PL 94-566) stipulates that professional school employees with a contract or reasonable assurance of returning to work are barred from receiving SUA benefits between terms. Under the

^{1/} An attempt was made to identify workers with a seasonal pattern of unemployment from detailed data collected on 1974 and 1975 employment history. The only workers who could be clearly identified as having such a pattern were school employees. Detecting other types of seasonal employment patterns proved impossible, although they undoubtedly exist in the SUA data set. For example, the data presented in Chapter II suggest that perhaps one-third of non-school SUA recipients were unemployed for seasonal reasons. It is difficult to compare this figure to that for seasonal unemployment under regular UI, but it seems likely that SUA recipients were more likely to be unemployed for seasonal reasons in 1975 than were regular UI recipients.

proposed extensions in coverage of the regular UI program, nonprofessional school employees with such agreements to return to work may or may not be covered at a state's discretion (such individuals are excluded from future SUA eligibility). To simulate the effect that the exclusion of those school employees with contracts or reasonable assurance of returning to work would have had on the population of SUA recipients, we assumed that school employees who did in fact return to work at their pre-UI job closely approximated individuals with an (explicit or implicit) agreement to return to work. Such individuals (who made up nearly 44 percent of the entire SUA sample) were then deleted from the SUA sample. Because this exclusion greatly changed the character of the SUA sample, it was also used in combination with other policies in the simulation results.

The final policy simulation we examined touches on the way in which SUA is administered. Under that program, claimants' base periods are defined as the 52-week period preceding the claim date. Such a definition is different from that specified under many state programs which often mandate base periods ending several months prior to the claim date. Consequently, it is possible for an individual laid off from a job that would normally be covered by regular UI to fail to qualify under the state's actual base period but to qualify under the national SUA base period. Since it was initially assumed that the base period difference was an important source of SUA eligibility, several different approaches were taken in order to investigate this issue. First, SUA recipients in the sample were asked why they were eligible for SUA. Few (less than 5 percent of those giving an answer) responded that base period differences accounted for their eligibility. But this low percentage might be regarded with some

skepticism since large numbers of individuals did not know why they qualified for SUA. As a second approach to possible base period differences, weeks of employment were calculated for a 52-week base period and for the actual state base period (which coincided with the 52-week definition in five of our fifteen states). An examination of discrepancies between these two measures led us to conclude that they did not provide strong evidence that the base period issue was an important factor in SUA eligibility. Finally, the proportion of the SUA sample in industries clearly not covered by regular UI was estimated at nearly 87 percent.^{1/} Our simulations of the base period issue used those 13 percent of SUA claimants estimated to be in covered employment as an upper bound of those affected by the SUA base period calculation.^{2/}

2. Simulation Results

Table VI.2 reports the results of simulating the five alternative SUA eligibility policies. As with the FSB simulations, the policies were compared with reference to a number of recipient and program characteristics. First, we examined policies respectively requiring 20 and 30 weeks of employment in the SUA base period (i.e., policies which would require a

^{1/} Included in this calculation were workers whose pre-UI job was in agriculture, elementary or secondary education, state government (in states without UI coverage of such workers), local government (in states without universal UI coverage of such workers), and private household workers. Also included were any other workers who reported that their employment was not covered by regular UI.

^{2/} Individuals eligible for SUA because of base period differences are excluded from SUA in the future by PL 94-566, which adopts state base periods for SUA.

TABLE VI.2 (PART A)

SIMULATED PROGRAM AND RECIPIENT CHARACTERISTICS UNDER ALTERNATIVE SUA ELIGIBILITY CRITERIA

Program and Recipient Characteristics	Current Policy	Policy Options				
		20 Weeks in Base Period	30 Weeks in Base Period	Excluding Reemployed School Workers	Excluding Reemployed School Workers and 20 Weeks in Base Period	Excluding Reemployed School Workers and Covered Industries
Program Characteristics						
Caseload, as Percent of Current Program	100.0	89.6	81.1	56.1	47.2	43.1
Cost (in 1975), as Percent of Current Program	100.0	89.0	77.9	74.6	64.3	57.2
Mean Weekly UC Benefit	\$ 53.0	\$ 53.7	\$ 53.8	\$ 56.5	\$ 58.1	\$ 56.8
Recipient Characteristics						
Mean Age (Years)	39.7	40.4	41.2	35.9	36.6	36.4
Percent Male	28.1	27.0	25.8	43.8	44.2	42.7
Percent White	80.2	80.0	80.0	80.4	80.2	80.8
Mean Weekly Wage on Pre-UI Job	\$122	\$122	\$123	\$130	\$129	\$128
Mean Weeks Worked in 3-Year Base Period	95.6	100.2	104.7	88.4	94.8	90.7
Percent Working More Than 120 Weeks in 3-Year Base Period	16.1	39.4	42.0	33.2	38.1	34.3
Weighted Sample Size	3,948	3,527	3,195	2,215	1,857	1,701

TABLE VI.2 (PART B)

Distribution of Recipients by Family Income and Wage Replacement	Policy Options					
	Current Policy	20 Weeks in Base Period	30 Weeks in Base Period	Excluding Reemployed School Workers	Excluding Reemployed School Workers and 20 Weeks in Base Period	Excluding Reemployed School Workers and Covered Industries
Ratio of Family Income (Excluding UC Benefits) to Poverty Line						
0-1.0 ^{a/}	45.4%	44.9%	43.0%	51.3%	51.2%	51.4%
1.0-1.0	39.6	39.8	40.1	36.9	36.8	37.0
1.0 and Over	15.0	15.3	16.1	11.8	12.0	11.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percent of Gross Wage Replaced by UC						
0-40 ^{a/}	22.1%	19.6%	19.3%	29.6%	25.9%	28.2%
40-60	54.3	56.5	57.0	47.5	50.2	48.8
60 and Over	23.6	23.9	23.7	22.9	23.9	23.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent Replaced	53.0	52.9	52.9	51.4	51.6	52.1
Percent of Net Wage Replaced by UC						
0-40 ^{a/}	8.9%	7.4%	7.4%	12.4%	10.2%	12.2%
40-60	27.0	26.2	25.8	29.8	29.0	28.2
60 and Over	64.1	66.4	66.8	57.8	60.8	59.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent Replaced	75.9	75.9	75.8	73.0	73.9	75.0
Weighted Sample Size	3,948	3,527	3,195	2,215	1,857	1,701

^{a/} If a ratio or a percentage, calculated to several decimal points, equalled the end point of a specified range, that observation was assigned to the lower category.

TABLE VI.2 (PART C)

Other Recipient Characteristics	Current Policy	Policy Options				
		20 Weeks in Base Period	30 Weeks in Base Period	Excluding Reemployed School Workers	Excluding Reemployed School Workers and 20 Weeks in Base Period	Excluding Reemployed School Workers and Covered Industries
Percent in Husband-Wife Families	66.2	67.1	68.2	57.7	58.2	59.4
Percent with Other Earners in Family	59.6	60.1	60.8	55.6	55.8	55.1
Percent with Earning Spouse	49.8	50.6	51.7	39.6	39.7	39.7
Percent Eligible for Means-Tested Transfer Programs (without UC)	51.0	50.1	49.1	59.4	59.7	59.2
Percent Eligible for Means-Tested Transfer Programs (with UC)	31.4	30.7	29.7	37.9	37.6	38.2
Labor Force Status, March 1976						
Employed	67.2%	69.3%	71.8%	45.9%	46.5%	45.0%
Unemployed	21.9	20.4	18.4	38.1	37.2	38.1
Not in Labor Force	10.9	10.3	9.8	16.0	16.3	16.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percent Estimated to Need (at Start of SUA)						
Education and Training	9.4	9.1	8.6	11.4	11.2	11.3
Referral and Placement	27.5	27.8	28.3	24.5	24.5	24.7
Public Service Employment	6.5	6.3	6.0	8.1	8.0	7.6
Weighted Sample Size	3,948	3,527	3,195	2,215	1,857	1,701

greater degree of labor market attachment for eligibility). Such requirements did have that effect, but (contrary to the FSB findings) the requirements also had the effect of changing substantially some of the other economic and demographic characteristics of the SUA sample. SUA recipients with greater base period employment tended to be older, to have higher incomes, were more likely to be female, and were more likely to be reemployed at the interview date than those SUA recipients excluded from the simulation. The principal reason for these findings was the increasing representation of reemployed school employees in the SUA sample as greater base period employment was required. While such workers represented about 44 percent of the full SUA sample, they made up over 47 percent of those with 20 weeks of base period employment and over 51 percent of those with 30 weeks. Because (as is shown in Chapter II) school employees on SUA were disproportionately married females and generally had higher family incomes, the increasing representation of them in the sample produced the observed results. For the remainder of the SUA eligibility simulations, school employees recalled to their pre-UI jobs were excluded so that the effects of alternative provisions would not be dominated by them.

Excluding school employees recalled to their jobs from the SUA sample changed substantially many of its characteristics. Although the mean UC benefits rose only slightly from such an exclusion, the estimated reduction in program costs was far smaller than the caseload reduction. Non-excluded SUA recipients, on average, collected benefits for twice as many weeks as did the recalled school employees (18 weeks versus 9 weeks). The mean age of the SUA sample fell by nearly four years when we excluded reemployed school employees; and average weeks worked in the three years

prior to claiming benefits dropped by about eight percent. Individuals remaining in the sample were more likely to be poor and less likely to have other earners in the household than those excluded. They were also much less likely to have become reemployed by the interview date, although their reemployment rate still exceeded that exhibited by FSB recipients by about 15 percent.

Requiring 20 weeks of base period employment for SUA recipients not returning to their school jobs had relatively little effect on sample characteristics. As with the FSB results, measured labor market attachment increased, but other economic and demographic characteristics remained remarkably stable.^{1/} Contrary to the FSB findings, restricting benefits to those with longer base period employment raised (rather than lowered) measured reemployment rates--a finding that probably derived from school employees remaining in the SUA sample who, while they did not return to their pre-UI jobs, returned to similar ones.

The final simulation reported in Table VI.2 limited SUA to individuals not recalled to school jobs who were in industries clearly not covered by regular UI. As explained above, this was intended to replicate the policy of excluding those recipients eligible for SUA because of base period differences. Overall, about 23 percent of the non-school sample was excluded in this simulation. The exclusion caused the mean age and work experience of the sample to increase slightly, but otherwise most characteristics were unchanged.

^{1/} Simulations requiring 30 weeks of base period employment had a similar result and are not reported here.

3. Summary

Exclusion of school employees who returned to their pre-UI job from SUA was the most important of the SUA eligibility policies reported in this section. That simulation was intended to replicate a policy of excluding those school employees with a contract or reasonable assurance of returning to work after their unemployment between terms. It suggested that recipients under SUA-type programs with such exclusionary features would be quite different from those who collected SUA benefits in 1975.

Other simulations of the non-school SUA sample changed its characteristics only slightly. Requiring more base period employment did increase measured labor market attachment but left most other variables unchanged. From the simulations run, it did not appear that the difference between SUA and regular UI base period was an important policy issue.

C. BENEFIT LEVELS

Weekly benefit amounts under the FSB and SUA programs are determined by states' regular UI schedules. Consequently, the emergency programs incorporate into their benefit level structure the present wide variety in state UI formulas. We examined several ways in which benefit amounts under the federal programs might be made somewhat more uniform both across states and among individuals without completely divorcing our benefit calculations from those employed by the state programs. Particular attention was given to two types of policies: raising maximum benefit amounts under the emergency programs to a uniform

two-thirds the average weekly wage in covered employment in each state; and subjecting benefits paid under the program to the Federal Income Tax. Because these two policies have effects which in some respects complement one another, they were also considered in combination. The policies simulated were compared by focusing on the distributions of income (including adjusted Unemployment Compensation benefits) and of wage replacement ratios. Estimated costs and information on changes in the distribution of UC benefits were also calculated. Since the policies of higher maxima and taxing of UC benefits are of interest for the regular UI and Extended Benefits programs as well, the simulations were also run over the EB sample, and those results are also reported. Before presenting these simulations, we first describe the particular policies examined in somewhat greater detail and summarize the rationale for them.

1. Policies Simulated

Three alternative weekly-benefit-amount policies were simulated for the three program types in the sample:

- (a) Raising prevailing state maxima;
- (b) Taxing UC benefits under the Federal Income Tax;
- (c) Raising maxima in combination with taxation of benefits.

In addition, possible ways of means-testing UC benefits were simulated for the FSB sample only.

The first of the policies was intended to evaluate the extent to which present state maximum benefit provisions constrain UC benefit amounts. If these provisions unnecessarily restrain benefits for high

wage workers, it may be desirable to consider policies which relax them. Frequently discussed is a proposal that states raise their benefit maxima to two-thirds of the state average weekly wage in covered employment. This policy, it is claimed, would increase the adequacy of wage replacement by UC while retaining ceilings on benefit amounts that reflect state labor market characteristics. Because this measure is the one most often specified in policy discussions of benefit maxima, it is the one we simulated.^{1/} Prevailing benefit maxima (at the claim dates of the majority of our sample) together with the alternative maxima are shown in Table VI.3. These new maxima were used together with state data on high quarter earnings (or on average weekly wages in states which use them to compute weekly benefit amounts) to recalculate benefits.^{2/} Dependents' allowances were added to those new benefits where applicable.

The non-taxable status of UC benefits has been a recurrent subject of controversy. While this exclusion of benefits from taxation is supported by the notion that these benefits are needed by families in times of emergency, it has also been pointed out that such treatment may cause various

^{1/} Potential UC durations were not altered in this policy simulation. Because many states' duration provisions are related to their maximum benefit levels, it is possible that adoption of a uniform maximum would affect duration.

^{2/} State records on high quarter earnings were missing for more than 40 percent of individuals in the sample in high quarter earnings states. For average weekly wage states, the comparable figure is 30 percent. In cases of missing state data, observations were imputed on the basis of information on earnings in the pre-UI job provided in the interview. Because of this imputation, simulations involving new state maxima may be somewhat less precise than others presented in this chapter.

TABLE VI.3

NEW STATE UNEMPLOYMENT COMPENSATION WEEKLY BENEFIT
MAXIMA USED IN THE BENEFIT LEVEL SIMULATIONS

State	1974-1975 Prevailing ^{a/} Maximum	New Maximum
California	90	126
Florida	74	107
Georgia	70	106
Indiana ^{b/}	60	121
Louisiana	80	107
Massachusetts ^{b/}	90	115
Michigan ^{b/}	67	142
Missouri	85	114
New Jersey	90	128
New York	95	135
Pennsylvania ^{b/}	111	122
Tennessee	70	101
Texas	63	109
Utah	93	103
Washington	86	124

^{a/} For some states the applicable maximum depends on the claim date.

^{b/} Maximum excludes dependents' allowances.

distributional anomalies^{1/} and may increase the desirability of collecting Unemployment Compensation benefits rather than accepting employment (earnings from which are taxed). It is this latter argument which has led us to stress the concept of "net" wage replacement from UC in the previous chapter. In order to examine the consequences of taxing UC benefits under the (progressive) Federal Income Tax, marginal tax rates for families in the sample were estimated, and these were used to compute net benefit amounts.^{2/} These net benefits were used for the computation of income distribution and wage-replacement data. They were also used to estimate the tax offset to UC expenditures provided by the taxation policy.

Because raising state maxima has the effect of raising UC benefits for some workers, whereas taxation of benefits has the opposite effect, a combination of the two policies was simulated to determine their net result. Moving to higher maxima might be one way of compensating workers for altering the present tax-exempt status of UC benefits, and one purpose of the simulation was to determine the extent to which that is the case. The simulation also investigated whether the policy combination might lead to a lower variance in the net wage replacement ratios across family types.

^{1/} Feldstein has pointed out (see "Unemployment Compensation: Adverse Incentives and Distributional Anomalies", National Tax Journal, June 1974 pp. 231-244) that low income families are underrepresented among families receiving UC. His data also show that, among recipients, UC payments are relatively equal across income strata. Because our data are limited only to recipients, we also find that resulting weekly benefit amounts and total payments collected under the emergency programs differ only slightly by (1975) family income. Of course, because UC benefits are non-taxable, equal dollars of benefits are more valuable to higher income families in high marginal tax brackets.

^{2/} Because tax data were missing in about 10 percent of the cases, sample sizes for calculations involving them will be smaller. Some distributions may also be changed slightly by these exclusions.

The final simulation on benefit levels examined in this chapter concerns the consequences of subjecting FSB benefits to a means test. Although implementation of a means test would conflict with the "earned right" concept of unemployment compensation, some have argued that the present long durations mandated under FSB blur the distinction between social insurance and public assistance. Because, as demonstrated in Chapter IV of this report, FSB pays benefits to some families with relatively high incomes, as an income maintenance program it is "target inefficient." One way of improving its efficiency would be to reduce the amount of benefit paid to individuals from families with other sources of income. That procedure is followed in several countries as a way of integrating long-term UC benefits with public assistance. To investigate such a policy, we simulated two methods of means-testing UC benefits. These policies reduced benefits by 25 cents and 15 cents for each dollar of other family income received.^{1/} Detailed results for the 15 percent reduction rate policy are discussed at the end of the next section; the 25 percent policy is only briefly summarized.

2. Simulation Results

Tables VI.4-VI.6 summarize the benefit simulations. They show results for the EB, FSB and SUA samples respectively. Because the simulations provided many important comparisons among the three programs, all will be discussed together. Raising state benefit maxima increased

^{1/} Only spouses' earnings and non-earned, non-transfer family income were taxed in this way. Other types of income are unlikely to be included in a means-tested program. Under the 15 percent reduction rate program, UI benefits would become 0 at about \$20,000 per year of other income for an individual receiving the mean UC benefit.

TABLE VI.4 (PART A)

BENEFIT LEVEL SIMULATIONS FOR THE EB SAMPLE

Program Data	Current Policy	Higher State Maxima	Policy Options	
			Subject UC Benefits to Federal Income Tax	Higher Maxima and Tax
Cost (in 1975), as Percent of Current Policy (Including Tax Offset)	100.0	115.1	81.3	91.9
Changes in UC Benefits				
Increased Benefit	n.a.	34.4%	0.0%	29.7%
No Change in Benefit	n.a.	65.6	21.9	17.4
Reduced Benefit	n.a.	0.0	78.1	59.9
Total	n.a.	100.0%	100.0%	100.0%
Mean Weekly UC Benefit (Net of Taxes)	\$ 65.1	\$ 73.8	\$ 61.7	\$ 70.0
Weighted Sample Size	1,006	1,003	759	759

n.a. = not applicable

TABLE VI.4 (PART B)

Distribution of Recipients by Family Income and Gross Wage Replacement	Current Policy	Higher State Maxima	Policy Options Subject UC Benefits to Federal Income Tax	Higher Maxima and Tax
Ratio of Family Income (Including UC Benefits) to Poverty Line				
0-1.0 ^{a/}	26.8%	23.2%	27.4%	22.6%
1.0-1.5	23.5	20.1	24.5	21.9
1.5-2.0	12.0	16.5	11.4	17.1
2.0-3.0	21.8	23.0	22.1	22.6
3.0 and Over	15.9	17.2	14.6	15.8
Total	100.0%	100.0%	100.0%	100.0%
Percent of Gross Wage Replaced by UC				
0-40 ^{a/}	36.2%	23.7%	46.0%	31.2%
40-60	49.5	58.6	44.5	57.1
60 and Over	14.3	17.7	9.5	11.7
Total	100.0%	100.0%	100.0%	100.0%
Mean Percent Replaced	46.3	50.2	43.0	46.7
Weighted Sample Size	1,006	1,001	759	752

^{a/} If a ratio or a percentage, calculated to several decimal points, equalled the end point of a specified range, that observation was assigned to the lower category.

TABLE VI.4 (PART C)

Percent of Net Wage Replaced by UC Benefit	Current Policy	Higher State Maxima	Policy Options	
			Subject UC Benefits to Federal Income Tax	Higher Maxima and Tax
Total Sample ^{a/}				
0-40	13.5%	7.6%	17.5%	9.6%
40-60	31.3	23.4	40.1	33.7
60-80	35.9	43.6	29.6	41.0
80 and Over	18.7	25.4	12.8	15.7
Total	100.0%	100.0%	100.0%	100.0%
Mean Percent Replaced	66.6	72.2	60.4	65.5
Husband-Wife Families, Male Respondent				
0-40 ^{a/}	21.7%	9.9%	27.5%	12.0%
40-60	36.4	25.4	40.4	36.3
60-80	30.2	45.5	24.3	39.6
80 and Over	11.7	19.2	7.8	12.1
Total ^{b/}	100.0%	100.0%	100.0%	100.0%
Mean Percent Replaced	59.1	67.7	55.0	62.8
Husband-Wife Families, Female Respondent				
0-40 ^{a/}	5.8%	4.6%	9.0	7.8%
40-60	21.3	17.1	40.5	33.8
60-80	40.9	39.2	30.5	37.5
80 and Over	32.0	39.1	20.0	20.9
Total ^{c/}	100.0%	100.0%	100.0%	100.0%
Mean Percent Replaced	80.8	83.8	68.3	70.8
Weighted Sample Size	1,006	1,003	759	759

^{a/} If a percentage, calculated to several decimal points, equalled the end point of a specified range, that observation was assigned to the lower category.

^{b/} Weighted sample sizes 170, 170, 279, 279, respectively.

^{c/} Weighted sample sizes 308, 308, 215, 215, respectively.

TABLE VI.5 (PART A)
BENEFIT LEVEL SIMULATIONS FOR THE PSB SAMPLE

Program Data	Policy Options				Means Testing of Benefits
	Current Policy	Higher State Maxima	Subject UC Benefits to Federal Income Tax	Higher Maxima and Tax	
Cost (in 1975), as Percent of Current Policy (Including Tax Offset)	100.0	107.6	86.8	93.2	85.5
Changes in UC Benefits					
Increased Benefit	n.a.	23.0%	0.0%	18.0%	0.0%
No Change in Benefit	n.a.	77.0	25.2	22.3	56.4
Reduced Benefit	n.a.	0.0	74.8	59.7	43.6
Total	n.a.	100.0%	100.0%	100.0%	100.0%
Mean Weekly UC Benefit (Net of Taxes)	\$ 64.5	\$ 69.9	\$ 59.3	\$ 64.4	\$ 55.2
Weighted Sample Size	6,006	6,723	6,200	6,200	6,723

n.a. = not applicable

TABLE VI.5 (PART B)

Distribution of Recipients by Family Income and Gross Wage Replacement	Policy Options				
	Current Policy	Higher State Maxima	Subject UC Benefits to Federal Income Tax	Higher Maxima and Tax	Means Testing of Benefits
Ratio of Family Income (Including UC Benefits) to Poverty Line					
0-1.0 ^{a/}	22.9%	21.2%	22.0%	20.2%	21.4%
1.0-1.5	20.1	18.8	21.3	20.1	20.9
1.5-2.0	13.8	14.9	14.0	15.3	15.4
2.0-3.0	20.1	20.9	20.6	21.3	20.5
3.0 and Over	23.1	24.2	22.1	23.1	19.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Percent of Gross Wage Replaced by UC					
0-40 ^{a/}	36.5%	28.7%	48.4%	41.2%	55.4%
40-60	48.6	53.4	41.3	46.3	34.3
60 and Over	14.9	17.9	10.3	12.5	10.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent Replaced	47.0	49.5	43.1	45.3	38.7
Weighted Sample Size					
	6,006	6,723	6,280	6,280	6,723

^{a/} If a ratio or a percentage, calculated to several decimal points, equalled the end point of a specified range, that observation was assigned to the lower category.

TABLE VI.5 (PART C)

Percent of Net Wage Replaced by UC Benefit	Current Policy	Policy Options			
		Higher State Maxima	Subject UC Benefits to Federal Income Tax	Higher Maxima and Tax	Means Testing of Benefits
Total Sample					
0-40 ^{a/}	15.1%	11.3%	19.1%	14.1%	32.2%
40-60	33.0	29.4	39.2	37.4	35.8
60-80	31.7	35.1	29.6	34.1	23.6
80 and Over	20.2	24.2	12.1	14.4	8.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent Replaced	64.6	69.2	59.5	62.6	51.0
Husband-Wife Families, Male Respondent					
0-40 ^{a/}	25.0%	16.7%	31.0%	20.7%	34.3%
40-60	39.9	35.4	42.5	41.0	40.9
60-80	24.8	31.8	19.5	26.0	18.5
80 and Over	10.3	16.1	7.0	10.3	6.3
Total ^{b/}	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent Replaced	56.0	61.7	51.7	56.8	50.1
Husband-Wife Families, Female Respondent					
0-40 ^{a/}	5.6%	5.4%	9.6%	9.0%	51.0%
40-60	21.4	19.5	35.1	32.9	27.8
60-80	34.3	34.6	36.3	37.7	15.2
80 and Over	38.7	40.5	19.0	20.4	6.0
Total ^{c/}	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent Replaced	76.8	81.8	67.8	68.9	39.8
Weighted Sample Size	6,806	6,723	6,280	6,280	6,723

^{a/} If a percentage, calculated to several decimal points, equalled the end point of a specified range, that observation was assigned to the lower category.

^{b/} Weighted sample sizes 2,041, 2,012, 1,863, 1,863, 2,012, respectively.

^{c/} Weighted sample sizes 2,112, 2,086, 1,866, 1,866, 2,086, respectively.

TABLE VI.6 (PART A)

BENEFIT LEVEL SIMULATIONS FOR THE SUA SAMPLE

Program Data	Current Policy	Higher State Maxima	Policy Options Subject UC Benefits to Federal Income Tax	Higher Maxima and Tax
Cost (in 1975), as Percent of Current Policy (Including Tax Offset)	100.0	105.7	85.4	90.0
Changes in UC Benefits				
Increased Benefit	n.a.	15.9%	0.0%	11.4%
No Change in Benefit	n.a.	84.1	30.8	29.1
Reduced Benefit	n.a.	0.0	69.2	59.5
Total	n.a.	100.0%	100.0%	100.0%
Mean Weekly UC Benefit (Net of Taxes)	\$ 51.0	\$ 56.1	\$ 48.2	\$ 51.1
Weighted Sample Size	3,921	3,872	3,584	3,584

n.a. = not applicable

TABLE VI.6 (PART B)

Distribution of Recipients by Family Income and Gross Wage Replacement	Current Policy	Higher State Maxima	Policy Options Subject UC Benefits to Federal Income Tax	Higher Maxima and Tax
Ratio of Family Income (Including UC Benefits) to Poverty Line				
0-1.0 ^{a/}	28.3%	27.7%	25.1%	24.3%
1.0-1.5	14.1	13.0	15.2	14.1
1.5-2.0	13.5	13.6	14.3	14.7
2.0-3.0	20.0	20.9	21.7	22.2
3.0 and Over	24.1	24.8	23.7	24.5
Total	100.0%	100.0%	100.0%	100.0%
Percent of Gross Wage Replaced by UC				
0-40 ^{a/}	22.1%	17.7%	35.2%	29.1%
40-60	54.2	56.3	49.0	53.5
60 and Over	23.7	26.0	15.8	17.4
Total	100.0%	100.0%	100.0%	100.0%
Mean Percent Replaced	53.0	54.6	48.0	49.5
Weighted Sample Size	3,921	3,872	3,584	3,584

^{a/} If a ratio or a percentage, calculated to several decimal points, equalled the end point of a specified range, that observation was assigned to the lower category.

TABLE VI.6 (PART C)

Percent of Net Wage Replaced by UC Benefit	Current Policy	Higher State Maxima	Policy Options	
			Subject UC Benefits to Federal Income Tax	Higher Maxima and Tax
Total Sample				
0-40 ^{a/}	8.9%	7.8%	11.2%	9.4%
40-60	27.0	23.2	38.0	34.1
60-80	35.2	36.3	32.1	35.8
80 and Over	28.9	32.7	18.7	20.7
Total	100.0%	100.0%	100.0%	100.0%
Mean Percent Replaced	75.9	78.3	67.6	69.7
Husband-Wife Families, Male Respondent				
0-40 ^{a/}	15.2%	11.0%	20.3%	15.1%
40-60	34.8	30.4	36.7	33.0
60-80	30.1	32.7	27.2	34.0
80 and Over	20.1	25.9	15.8	17.9
Total ^{b/}	100.0%	100.0%	100.0%	100.0%
Mean Percent Replaced	68.9	73.1	63.2	66.9
Husband-Wife Families, Female Respondent				
0-40 ^{a/}	5.2%	4.9%	7.7%	6.9%
40-60	19.2	16.6	37.7	34.2
60-80	37.8	37.2	33.6	35.6
80 and Over	37.8	41.3	21.0	23.3
Total ^{c/}	100.0%	100.0%	100.0%	100.0%
Mean Percent Replaced	81.9	85.8	70.9	72.5
Weighted Sample Size	3,921	3,872	3,584	3,584

a/ If a percentage, calculated to several decimal points, equalled the end point of a specified range, that observation was assigned to the lower category.

b/ Weighted sample sizes 594, 588, 549, 549, respectively.

c/ Weighted sample sizes 2,000, 1,972, 1,707, 1,707, respectively.

benefits for 34 percent of the EB recipients, 23 percent of the FSB recipients, and nearly 16 percent of the SUA recipients. Differences in these percentages were, of course, explained by the differences in the proportions of recipients under each program who received the state maximum, and those were, in turn, related to the incidence of high wage earners (primarily males) in the samples. As expected, calculating benefits based on the new state maxima had a more significant impact on those recipients with currently low gross wage-replacement ratios than on those with high ratios. The proportionate reduction in the occurrence of gross wage-replacement ratios below 40 percent exceeded the increase in the occurrence of those above 60 percent by a factor of nearly two-to-one in all of the simulations. For net wage-replacement ratios this effect was not so pronounced. Many individuals with high earnings and low gross replacement ratios also pay substantial amounts in taxes, thereby yielding relatively high calculated net replacement ratios. These ratios were raised further by the new benefit calculations. Results disaggregated by family type showed that most of the changes in the distributions of (net and gross) wage-replacement ratios occurred for males (especially those living with their spouses). That again reflected the greater likelihood of such individuals being at the state maximum.

Raising state benefit maxima tended to shift the income distribution of recipients on an across-the-board basis. While the policy reduced the representation of those in the poor (below the poverty line) and near-poor (between 1.0 and 1.5 times the poverty line) categories, it also raised incomes for those individuals in relatively high income

families. The restraining effect of benefit maxima was not, therefore, found only among individuals from families with low incomes during the period the UC recipient was unemployed.

Taxation of UC benefits affected far more individuals in the simulations than did raising state maxima. Approximately three-quarters of the individuals in each of the samples experienced a reduction in weekly benefit amounts under that policy. Mean net UC benefits were reduced by about 15 percent, and estimated program costs (including tax offsets) fell accordingly. The effect of the taxation policy on income distribution measures presented in Tables VI.4-VI.6 was relatively slight, however.^{1/}

As expected, the major effect of the taxation of UC benefits was on net wage replacement ratios. The incidence of very high (over 80 percent) ratios was reduced sharply by the policy, especially for married females living with their husbands. Such individuals had high net wage-replacement ratios in our earlier calculations because of the relatively high earnings and marginal tax rates of their husbands. The same factors also caused their net benefits (and those of other families with high current incomes) to be reduced significantly by taxation.

Effects of taxation tended to dominate results from simulating the higher maxima-taxation policy combination. In all the samples more than twice as many individuals had their benefits reduced under that policy as had them increased. Revenue from taxing UC benefits more than

^{1/} This calculation added UC benefits net of taxes to gross income. Comparison of such net income figures to the poverty line, which is based solely on gross income, while not strictly appropriate, is indicative of changes in the distribution of income.

compensated for the increased expenditures made necessary by higher benefit maxima. The variance observed in the gross and net wage-replacement ratios tended to be reduced by the policy combination with major reductions in the upper parts of the distributions. Overall, however, net wage-replacement ratios remained extremely varied.

Means-testing FSB benefits (using a 15 percent reduction rate) had major effects, as shown by the results reported in Table VI.5. While "only" 44 percent of the individuals in the sample experienced any reduction in weekly benefit amounts, those who did have their benefits reduced experienced on average nearly a one-third reduction. As would be expected, the means-testing policy had its major effect among those in the upper part of the income distribution, although the policy also increased slightly the fraction of FSB recipients with incomes below the poverty line. The effect of means-testing benefits on wage-replacement ratios was substantial, especially for married females. Clearly, such a policy would mark a major departure, in effect as well as conceptually, from the present earnings-related and insurance-oriented concept of UC benefit determination. Effects of simulation of the 25 percent reduction rate policy (not reported) were even more dramatic than were those for the 15 percent policy. Again, the major effect was the decline in net wage-replacement ratios for married females. Over 70 percent of them had net wage-replacement ratios below 40 percent under the higher tax rate plan.

3. Summary

All of the alternative benefit calculations reported in this section had a major impact on the samples of UC recipients being examined.

That impact was manifested not only by a change in the mean weekly benefit received, but also in the distribution of benefit amounts among recipients. Increases in state benefit maxima were generally more favorable to male recipients than to female recipients. Taxation of UC benefits had the greatest impact on married females in simulations using both the current and the higher state benefit maxima. Overall, net expenditures (including taxes collected) for each of the samples examined were lower under the combined taxation-higher benefit maxima policy than under current programs.

D. FSB TRIGGERS

The Federal-State Extended Unemployment Compensation Act of 1970 incorporated the concept of a "trigger" into UC legislation for the first time. The function of this mechanism was to permit the unemployment insurance system to respond quickly to changing economic conditions both at the state and at the national level. By basing the initiation of extended UC benefits on the Insured Unemployment Rate (IUR) in a state, the 1970 Act attempted to bypass possibly time-consuming legislative processes in time of recession and thereby to improve the economic stabilization properties of the UC transfer system. In large part, then, the advantages of a trigger were seen as macroeconomic in nature: choices among triggering indicators and formulas should be determined by considerations of their suitability for the management of aggregate demand. Examination of these issues is outside the scope of the present project. However, any triggering mechanism for extended benefits will also have implications for the size, timing, and characteristics of the pool of

recipients served. In this section, we examine these implications, and report the results of simulating two alternative triggering formulas for FSB. These formulas would have resulted in delaying the implementation of that program in some states. By comparing individuals whose receipt of UC would have been delayed by the triggers with those who would not have experienced a delay, we may gain some insight into the microeconomic implications of the formulas.

1. Policies Simulated

Two triggering policies were simulated using the FSB sample data:

- (a) Requiring a 5 percent state IUR based on a three-month moving average;
- (b) Requiring a 6 percent state IUR based on a three-month moving average.

These trigger formulas are relatively simple and have a number of recognized defects.^{1/} However, they resemble those currently mandated for FSB and were therefore believed to be the ones most appropriate for simulation.^{2/}

Under the 5 percent trigger, FSB benefits would have been delayed for a least one month (beyond their January 1975 start) in 11 of our 15-state sample. For most states the delay would have been only for a

^{1/}For example, they are based on IURs instead of total unemployment rates, and they are not adjusted to account for benefit exhaustions.

^{2/}FSB is currently triggered on (or off) in two 13-week segments. We did not examine this distinction here.

month or two, however, since IURs rose rapidly in most states in response to the labor market downturn in late 1974.^{1/} Indeed, because of the rapid onset of the recession there would have been little difference between the performance of a 5 percent and a 6 percent trigger. Although under the higher trigger requirement three states would have been added to the list of those experiencing a delayed FSB implementation, those states would have only been delayed one month. Additional delays in other states imposed by the 6 percent trigger requirement would also have been relatively minor.^{2/} In less steep recessions the particular trigger chosen may make a significant difference in the size and composition of the FSB claimant pool, however, and our simulations were intended to identify those differences.

2. Simulation Results

To provide background information for the triggering simulations, Table VI.7 reports the distribution of the members of the FSB sample among the UC programs in which they participated by month during 1975. Two related conclusions can be derived from these data. First, relatively few of those individuals who collected FSB during 1975 did so in the early

^{1/} States delayed were (months of delay in 1975 are shown in parentheses): California (1), Florida (2), Georgia (1), Indiana (1), Louisiana (3), Missouri (1), New York (1), Pennsylvania (1), Tennessee (1), Texas (FSB never implemented), and Utah (2).

^{2/} States delayed under the 6 percent trigger (together with months delayed) were: California (2), Florida (FSB never implemented), Georgia (2), Indiana (2), Louisiana (2), Massachusetts (1), Michigan (1), Missouri (2), New Jersey (1), New York (1), Pennsylvania (1), Tennessee (1), Texas (FSB never implemented), and Utah (3).

TABLE VI.7

DISTRIBUTION OF THE FSB SAMPLE AMONG UC PROGRAMS DURING 1975, BY MONTH

Program ^{a/}	January	February	March	April	May	June	July	August	September	October	November	December
Not Receiving UC	29.4%	21.5%	17.4%	16.0%	16.8%	18.5%	22.0%	28.5%	33.7%	38.9%	44.6%	44.7%
Regular UI	45.0	46.4	42.8	36.8	28.6	20.9	12.7	6.3	2.3	0.3	0.0	0.0
EB	13.4	16.5	19.0	21.0	23.2	23.2	23.3	20.6	16.8	10.8	3.9	0.0
FSB	12.2	15.6	20.8	26.1	31.4	37.4	41.9	44.6	47.2	50.0	51.4	55.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted Sample Size	6,848	6,848	6,848	6,848	6,848	6,848	6,848	6,848	6,848	6,848	6,848	6,848

^{a/} An individual receiving benefits from two programs in a month has been assigned to the lower category. (For example, an individual receiving both EB and FSB in a given month was assigned to the FSB category.)

months of that year. Those who did collect in the early months were primarily in the FSB backlog (see the discussion of this group in Section A above). Related to this conclusion is the fact that, even among our FSB sample, the regular extended benefit program was at least equally important as a source of income in early 1975.^{1/} Since, in the nation as a whole, many individuals received EB but never went on to FSB, it is clear that the EB program played a far more important role in macroeconomic stabilization in early 1975 than did FSB. Only after April did the FSB enrollment of our sample begin to exceed its EB enrollment by a substantial margin.

Results of the triggering simulations (Table VI.8) showed that the individuals who collected FSB in early 1975 (and who therefore would, in some states, have had their collection delayed by more stringent triggering requirements) differed somewhat from those who collected later in the year. Our discussion of these differences focuses on the 6 percent trigger simulation since for that simulation sample sizes were larger and some trends in the data were more apparent. Among the nearly 20 percent of FSB recipients who would have been delayed by a 6 percent trigger, two groups were over-represented relative to their incidence among those not delayed: older males, and females in most age categories. This differential representation showed up in a number of the statistics reported: those delayed were older, had a higher percentage of females, had lower wage-replacement ratios (because of the prevalence of older, higher earning

^{1/} This is especially true since the way the figures in Table VI.7 were calculated tended to inflate the relative importance of FSB.

TABLE VI.8 (PART A)

CHARACTERISTICS OF FSB RECIPIENTS WHOSE RECEIPT OF FSB BENEFITS WOULD HAVE BEEN
 DELAYED BY ALTERNATIVE TRIGGERS

Program and Recipient Characteristics	Current Policy	Policy Options			
		5 Percent Trigger		6 Percent Trigger	
		Delayed	Not Delayed	Delayed	Not Delayed
Program Characteristics					
Caseload, as Percent of Current Program	100.0	9.5	90.5	19.5	80.5
Cost (in 1975), as Percent of Current Program	100.0	12.3	87.7	27.1	72.9
Mean Weekly UC Benefit	\$ 64.5	\$ 59.5	\$ 65.0	\$ 60.7	\$ 65.4
Recipient Characteristics					
Mean Age (Years)	38.9	42.5	38.5	41.7	38.2
Percent Male	52.5	44.0	53.3	48.5	53.4
Percent White	84.3	82.0	84.5	84.3	84.3
Mean Weekly Wage on Pre-UI Job	\$170	\$182	\$169	\$182	\$167
Mean Weeks Worked in 3-Year Base Period	111.9	115.1	111.6	114.3	111.4
Percent Working More than 120 Weeks in 3-Year Base Period	53.1	56.0	52.9	56.0	52.5
Weighted Sample Size					
	6,025	646	6,179	1,334	5,491

TABLE VI.6 (PART B)

Distribution of Recipients by Family Income and Wage Replacement	Current Policy	Policy Options			
		5 Percent Trigger		6 Percent Trigger	
		Delayed	Not Delayed	Delayed	Not Delayed
Ratio of Family Income (Excluding UC Benefits) to Poverty Line					
0-1.0 ^{a/}	50.8%	48.6%	51.1%	50.9%	50.9%
1.0-3.0	36.2	37.3	36.1	35.4	36.3
3.0 and Over	12.9	14.1	12.8	13.7	12.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Percent of Gross Wage Replaced by UC					
0-40 ^{a/}	36.5%	37.3%	36.4%	40.6%	35.5%
40-60	48.6	49.5	48.5	47.2	49.0
60 and Over	15.0	13.2	15.1	12.2	15.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent Replaced	47.0	47.3	47.0	45.5	47.4
Percent of Net Wage Replaced by UC					
0-40 ^{a/}	15.1%	18.8%	14.8%	18.8%	14.3%
40-60	33.0	31.2	33.2	33.3	32.9
60 and Over	51.9	50.0	52.0	47.9	52.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Percent Replaced	64.6	63.6	66.0	61.3	66.8
Weighted Sample Size	6,825	646	6,179	1,334	5,491

^{a/} If a ratio or a percentage, calculated to several decimal points, equalled the end point of a specified range, that observation was assigned to the lower category.

TABLE VI.8 (PART C)

Other Recipient Characteristics	Current Policy	Policy Options			
		5 Percent Trigger		6 Percent Trigger	
		Delayed	Not Delayed	Delayed	Not Delayed
Percent in Husband-Wife Families	61.0	62.8	60.8	61.4	60.9
Percent with Other Earners in Family	51.7	49.6	51.9	49.3	52.3
Percent with Earning Spouse	37.0	29.2	36.9	36.5	37.0
Percent Eligible for Means-Tested Transfer Programs (without UC)	60.2	54.5	61.0	57.0	61.1
Percent Eligible for Means-Tested Transfer Programs (with UC)	30.7	30.1	30.8	33.4	30.4
Labor Force Status, March 1976					
Employed	31.2%	32.5%	31.1%	33.7%	30.7%
Unemployed	46.7	42.6	47.1	41.0	48.2
Not in Labor Force	22.1	24.9	21.8	25.3	21.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Percent Estimated to Need (at Start of PSB)					
Education and Training	10.2	9.4	10.3	8.5	10.6
Referral and Placement	15.3	21.3	14.6	15.5	15.2
Public Service Employment	13.3	8.6	13.8	11.7	11.7
Weighted Sample Size	6,825	646	6,179	1,334	5,491

males^{1/}), and had slightly stronger employment records prior to becoming unemployed. Consistent with the age-sex composition of the delayed sample, proportionately more of that group was out of the labor force at the interview date. Finally, individuals who would have been delayed by the 6 percent trigger collected FSB benefits for nearly 10 more weeks in 1975 than did those who would not have been delayed (23.8 weeks versus 14.4). Of course, that finding derived in part from the fact that those who would have been delayed became eligible for FSB early in the year and therefore had more chance to collect.

3. Summary

The triggering simulations showed that the choice of trigger formulas does make a difference both with respect to the timing and the characteristics of the pool of FSB recipients. Relatively few in our sample collected FSB early in 1975, and those who did tended to be older and were more likely to withdraw from the labor force than those who drew FSB later in the year. However, most of those "delayed" by the simulated triggers would ultimately have collected FSB benefits in any event, so those findings offer no clear verdict on the formulas. Rather, trigger decisions might more appropriately be made on the basis of macroeconomic policy needs with alternative eligibility requirements (such as exclusion of those in the backlog) being used to determine the characteristics of recipients under the programs.

^{1/}Wage-replacement ratios may also have been lowered because delayed individuals generally had claim dates prior to those not delayed and may have been subject to lower maximum benefit levels.